

Dr Magdalena Kowalska-Musiał
Dorota Góra
The School of Banking and Management in Kraków

PERSONNEL COSTS AS THE OBJECT OF MEASUREMENT IN ACCOUNTING

Introduction

The management of material, tangible, financial and human resources requires the measurement of their acquisition, application and achievement of defined objectives. Accounting is the main development source of the necessary data. One of the main cost categories that are subject to measurement in accounting are personnel costs, i.e. gross remuneration costs, the costs of social security, other employee benefits as well as staff training and recruitment. The total personnel costs in company should be controlled continuously. It is worth noting that the costs can be perceived by the employer as a work motivation factor for human resources. Moreover, the role of the human factor in achieving financial results must be emphasized as only human resources can create value added, i.e. ensure the generation of a positive company financial result.

The aim of the paper is to present the significance of personnel costs in every economic activity, to indicate to the necessity to measure them and to analyze the costs as the tool that supports HRM.

The empirical part of the paper applies the data that were obtained from a family construction limited liability company present on the market for 26 years. For the sake of the analysis of employment and the related costs, the period of 2013-2015 was taken into consideration.

1. Accounting as an information system

The literature on the subject does not define precisely the concept of accounting. This is due to the evolution of the theory and practice of management which is closely correlated to accounting. On the one hand, accounting as a science creates theoretical models of information flow that constitute a basic component of management decisions but on the other, accounting should meet the requirements related to management pragmatics.

E.Burzym's definition is considered to be the most comprehensive and one that describes best the subject-matter of accounting: *it is a universal, flexible and independent system of information and control that is determined by the balance sheet method which is a cognitive method inseparably related to the system and which makes it possible to develop a numerical picture of value creation, division and flow and the resulting settlements between business entities*¹.

Within accounting perceived as an information system, E.Burzym distinguishes the following sections of account that are closely interrelated²:

- cash,
- factors of production,
- investments,
- revenues,
- results.

Present-day organizations are focused mainly on the section of the factors of production which includes³:

- fixed assets account,
- materials management account,
- HRM account.

It must be emphasized that the final product of accounting, i.e. the financial report, or - to be precise – its basic element: the balance sheet, does not include directly the information about human resources. It only shows the results of the application of human resources in the form of minor cash resources (payment of salaries) or the resulting liabilities (amounts due to remuneration) as well as the results of the creation of financial results by human resources (the realized revenue from the sales tangible results generated by human capital and personnel costs incurred).

A synthetic measurement of personnel costs is carried out in the profit and loss account – by nature of expense which constitutes the basis for the analysis of labor costs and their correlation with other items of the breakdown of costs by type. Moreover, the profit and loss account presents net income from product sales which can be related to the effectiveness of

¹ E. Burzym, *Rachunkowość przedsiębiorstw i instytucji*, PWE, Warszawa 1980, p. 13.

² E. Burzym, *Założenia modelowe zintegrowanego systemu rachunkowości*, [in:] *Prof. dr hab. Elżbieta Burzym mistrzyni polskiej rachunkowości*, UEK w Krakowie, Kraków 2014, p.174.

³ *Ibidem*, p.175.

human resources. It is necessary in HRM to use retrospective information on the basis of which an extrapolation can be performed of the future results. Thus, an important role is played both by financial and managerial accounting.

Financial accounting provides information necessary to determine organization's financial situation. The information serves mainly the external users but it is also used for internal reports. It constitutes the basis for the assessment and evaluation of company's Board by its owners, e.g. shareholders⁴.

Managerial accounting (also referred to as cost and result account in management) provides managers with information that supports them in the processes of decision making, economic planning and monitoring the implementation of plans. It includes such activities as collecting, classifying, processing, analyzing and developing reports for managers. Contrary to financial accounting, managerial accounting is focused mainly on prospective information and is intended for the users within a business organization⁵.

To sum up, accounting is an interdisciplinary field of science that belongs to applied economic sciences, which means that it has close links with business practice. The presence of business entities on the market in which ownership and management functions are separated resulted in the increase in significance of financial information that is created by accounting. Present day companies face new challenges which result in the new tasks and functions of accounting and human resources management.

2. Objectives of personnel cost measurement in company

A reliable information on the costs in a particular business entity is significant in decision making processes and further operations. According to J. Wiktor *remuneration is not the only decisive parameter in economic calculation as regards HRM since there are other costs incurred by employers that concern the acquisition and utilization of work resources.*⁶

Personnel costs or labor costs are the costs incurred on staff recruitment, employment and maintenance as well the costs of indirect employee benefits, which is illustrated in Fig.1.

⁴ J. Turyna, *Rachunkowość finansowa*, C.H. BECK, Warszawa 2008, pp. 17-18.

⁵ Ibidem, pp. 17-18.

⁶ J. Wiktor, *Koszty pracy w przedsiębiorstwach*, Instytut Pracy i Spraw Socjalnych, Warszawa 1991, p. 14.

Figure 1. Personnel costs



Source: Authors' research.

In 1996, the Central Statistical Office (GUS) conducted a research on personnel costs in which they were defined as *the total of remuneration (payroll) and non-wage costs incurred by employers for the acquisition, requalification and improvement of staff*.⁷

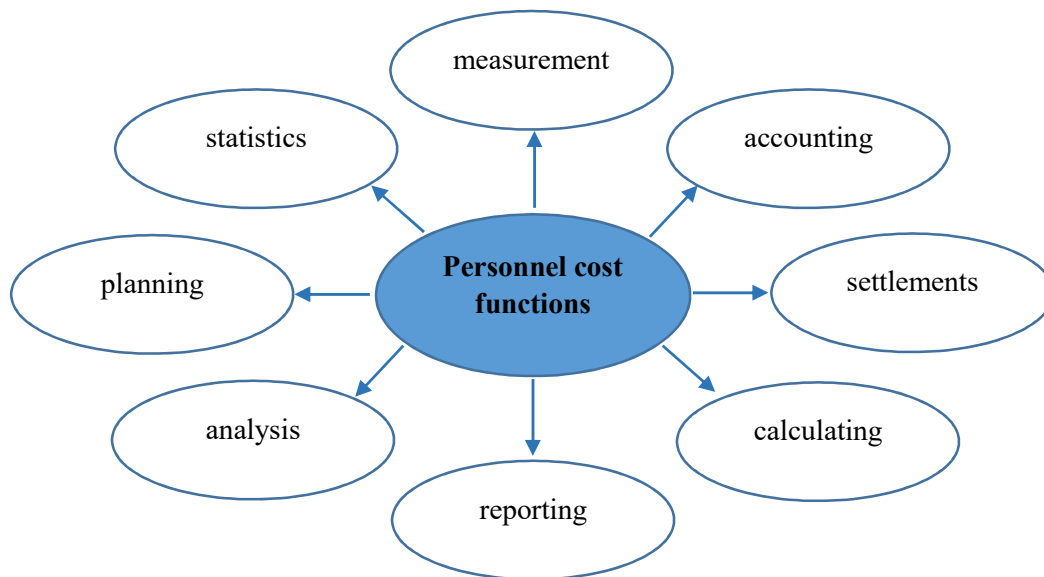
Personnel costs in every company involve also numerous other functions that are presented in Figure 2.

Rational planning is preceded in every company by several analyses of various factors. One of them are labor costs, which constitute a factor that is decisive as regards the initiation of business operations in a given country or region by local or foreign investors. The lower personnel costs, the more competitive the entity may be on the local or international market.

The collection of data related to the past, present and planned HRM expenses is one of the elements of effective company management. Labor costs in the so called "old Europe" are significantly higher than in the previous East Block countries like Poland or in Asian countries. Lower labor costs may result in company's higher profit or the possibility to decrease prices, which consequently makes the company more competitive.

⁷ *Rocznik Statystyczny Pracy*, Główny Urząd Statystyczny, Warszawa 1997.

Figure 2. Personnel cost functions

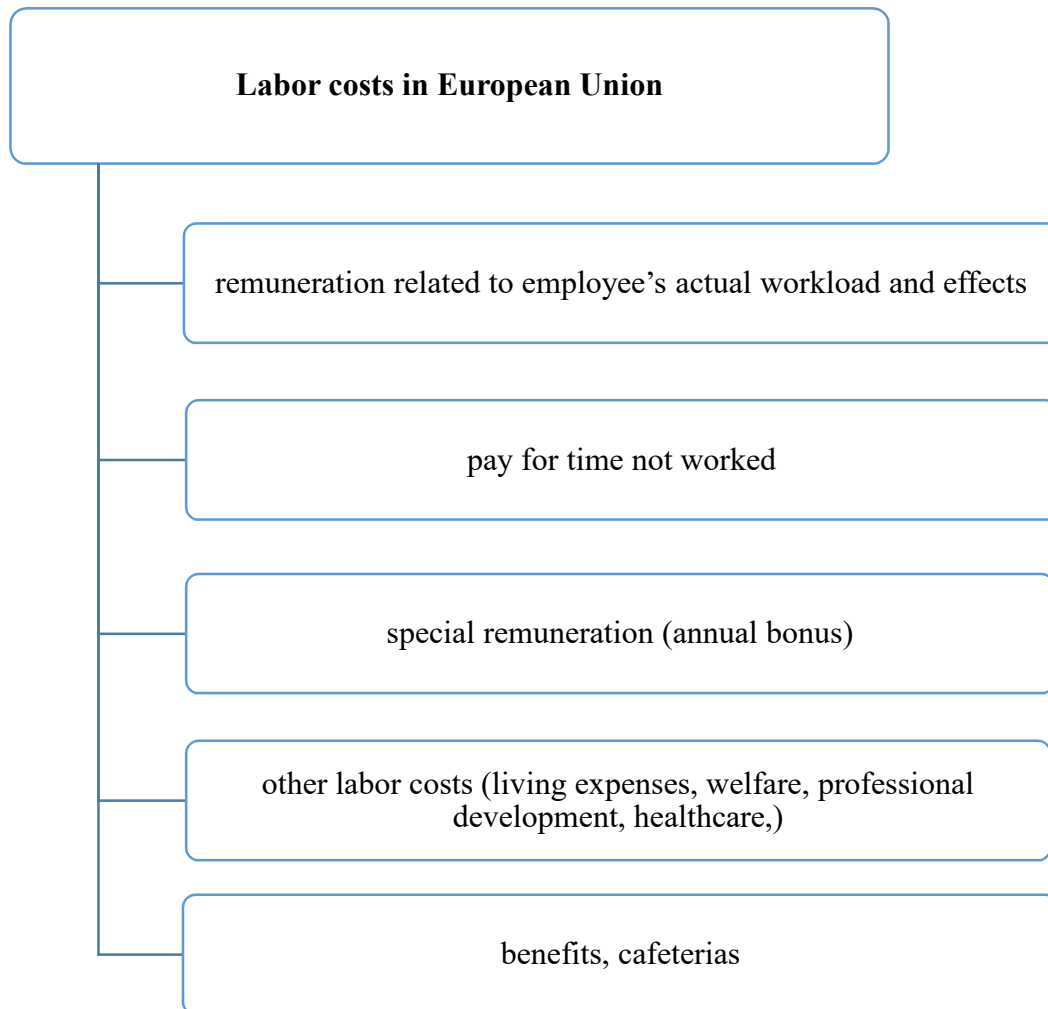


Source: Authors' research based on T. Gabrusewicz, K. Marchewka-Bartkowiak, M. Wiśniewski, *Rachunkowość, finanse, audyt. Studium przypadków sektora publicznego i prywatnego*, [in:] M. Janaszczyk (ed.), *Nowoczesne metody rachunku kosztów*, CeDeWu, Warszawa 2013, p. 69.

In EU countries, labor costs are broken down into five groups: *remuneration related to employee's actual workload and effects, pay for time not worked, special remuneration (annual bonus), other labor costs (living expenses, welfare, professional development, healthcare, recreation), benefits and cafeterias*⁸; the issue is presented in Figure 3.

⁸ Z. Sekuła, *Struktury wynagradzania pracowników*, Oficyna Wolters Kluwer Polska, Warszawa 2011, p. 31.

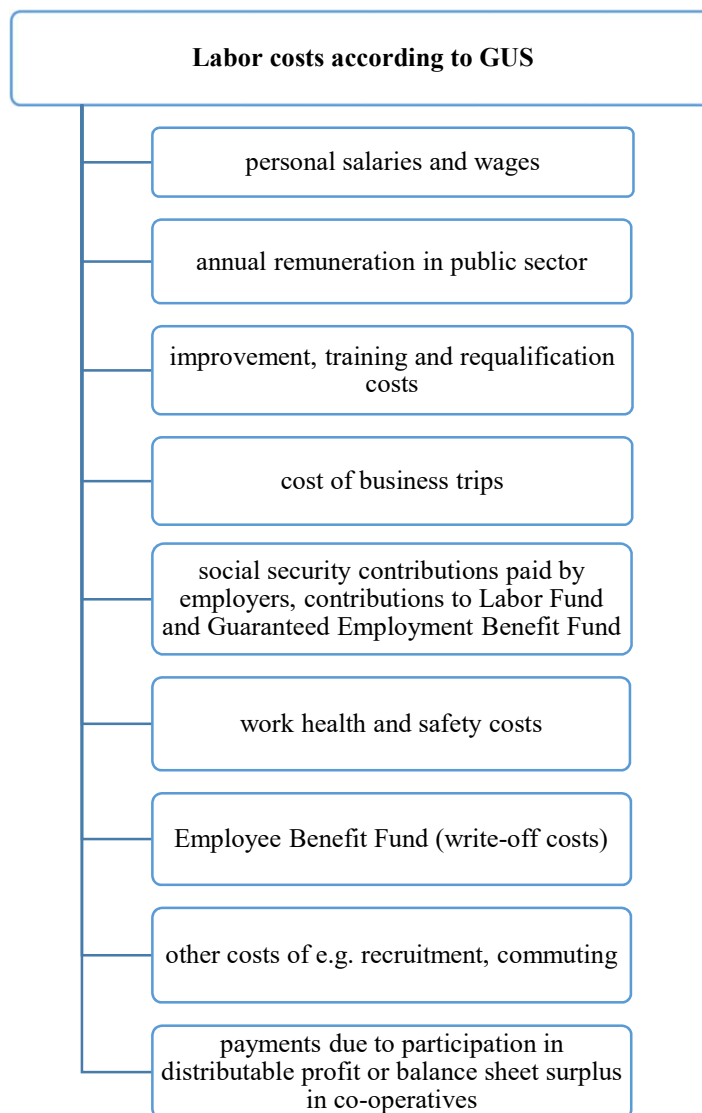
Figure 3. Classification of labor costs in EU



Source: Authors' research based on Z. Sekuła, *Struktury wynagradzania pracowników*, Oficyna Wolters Kluwer Polska, Warszawa 2011, p. 31.

In Poland, the labor costs are divided by the GUS into numerous groups (see Figure 4).

Figure 4. Labor costs according to GUS



Source: Authors' research based on GUS data.

According to GUS, labor costs include⁹:

- **personal salaries and wages** – include basic salary, holiday pay and sickness remuneration, remuneration for night shifts, overtime, etc.;
- **annual remuneration in public sector (referred to as the thirteenth salary)** is received by public sector employees who worked in an entity for the whole previous

⁹Annex to explanations to reporting on employment and remuneration - Zakres składników wynagrodzeń w gospodarce narodowej, www.form.stat.gov.pl/formularze/2017/objasnienia/zalacznik_do_objasnien.pdf (Accessed: 22.01.2017).

year; it is also received by employees who worked at least for 6 months;

- **improvement, training and requalification costs** – they include all costs of courses and staff training covered by employers;
- **cost of business trips** – the costs related to staff business trips (tickets, accommodation and transport allowances);
- **social security contributions paid by employers, contributions to Labor Fund and Guaranteed Employment Benefit Fund** – they include the whole additional burden covered by employers that is related to employee remuneration;
- **work safety costs** – include the costs related to (introductory and regular) staff work health and safety training; the costs of preventive activities and the costs of claim management¹⁰;
- **Employee Benefit Fund** – this is the fund for employees, their families and the pensioners with the lowest income to finance their holidays, recreation and leisure as well as cultural events, household loans, presents for children, etc.;
- **other costs** – they include expenses covered by employers to recruit new staff (advertisements, job interviews) and commuting costs (fares, transport rentals);
- **payments due to participation in distributable profit or balance** - these are the payments of rewards from the profit after tax; while the **payments of the balance sheet surplus in co-operatives** include bonuses and rewards for the cooperative members and the payments with regard to workload contribution.

Labor costs are one of the elements of the economic account in an organization and this is the reason why they should be analyzed to help in making right personnel decisions by the manager of the entity. Adequate cost classification, measurement and analysis will certainly result in a proper personal policy in a company.

When employing the staff, the employer “consumes” the effects of their work on the one hand and, on the other, he/she covers the costs related to the employment, whereas the employee, when doing the job with a given effectiveness, receives in return his/her remuneration and obtains other benefits that result from the employment¹¹.

¹⁰ K. Makowski, *Koszt pracy – instrument zarządzania*, [in:] A. Sajkiewicz (ed.), *Zasoby ludzkie w firmie, organizacja, kierowanie, ekonomika*, Poltext, Warszawa 2000, p. 82.

¹¹ A. Sajkiewicz (ed.), *Zasoby ludzkie w firmie, organizacja, kierowanie, ekonomika*, Poltext, Warszawa 2000, p. 79.

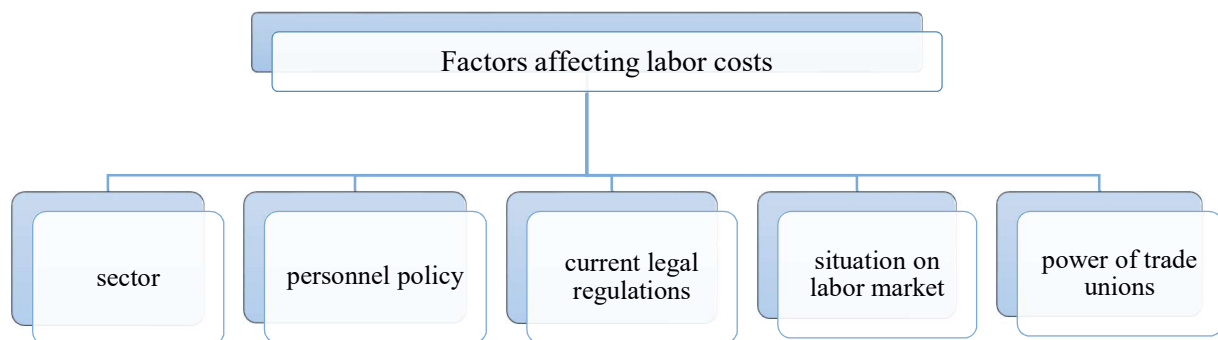
Labor costs are an extremely important element for every employer who is going to decide on the increase of employment in the entity as the costs are inseparably connected with every employment relationship. Every employer bears the costs related to:

- the establishment of the employment relationship (recruitment costs);
- the employment (salary, preventive medicine, safety and health at work, etc.)
- the termination of employment relationship (retirement severance pay, redundancy pay, equivalents, etc.).

As regards company competitiveness on the market, it is not insignificant what amount is spent on staff remuneration. Personnel costs are a business competitiveness factor.

The volume of personnel costs in a company has an impact on several internal as well as external factors, which is presented in Figure 5.

Figure 5. Factors affecting labor costs



Source: Authors' research based on G. Łukasiewicz, *Koszty pracy i ich znaczenie w praktyce gospodarczej*, Zeszyty Naukowe nr 597 Akademii Ekonomicznej w Krakowie, Kraków 2003.

It is impossible to determine clearly what the significance is of particular factors as it depends on the current economic situation in a given country/region, the unemployment rate, the financial situation of a company, etc.

In Poland, labor costs are often a barrier for employers as regards the increase of salaries for their employees. Figure 6 presents the contributions to social and health insurance that are paid by employers and employees. One should have in mind the fact that the contributions paid by employees are included in the gross salary calculated by employers, which means that they are also included in personnel costs. Moreover, apart from the gross remuneration and benefits for social security, Labor Fund and Employee Benefit Fund, the employer has to cover all other expenses that belong to personnel costs: recruitment, employment, training, preventive care, etc. The organizational and legal structure of a business entity, as well as its size, are crucial

features that have an impact on the level of personnel costs. According to GUS, public sector companies and also big business units have evidently higher labor costs than small and medium-sized business.

Figure 6. Types and amounts of benefits paid by employers and employees

Benefits paid by employers	
9.76 %	• Pension insurance
6.50 %	• Disability benefit insurance
1.80 %*	• Accident insurance
2.45 %	• Labor Fund
0.1 %	• Employee Benefit Fund
<i>* accident insurance premium varies</i>	
Benefits paid by employees	
9.76 %	• Pension insurance
1.50 %	• Disability benefit insurance
2.45 %	• Sickness insurance
9.0 %	• Health insurance

Source: Authors' research.

Gross remuneration accounts for the major part of labor costs, in many cases they amount to approx. 80%; thus, non-salary labor costs constitute approx. 20%. Table 1 presents a practical calculation method of work remuneration and the burdens for social and health insurance, Labor Fund and Employee Benefit Fund as exemplified by a minimal gross work remuneration of 2 000 PNL, effective from 1 January 2017.

Table 1. Practical calculation method of work remuneration as illustrated by a minimum gross work remuneration

Specification	Item	Contributions and taxes in zlotys
gross work remuneration	a	2 000.00
Social security contribution assessment base	b	2 000.00
social security contributions paid by employee including: <ul style="list-style-type: none"> • pension 9.76%, i.e. 195.20 zł • disability pension 1.5%, i.e. 30 zł • sickness 2.45%*, i.e. 49 zł 	c	274.20
health insurance contribution base (item a - item c)	d	1 725.80
health insurance contribution to be deducted from remuneration (item d x 9%)	e	155.32
health insurance contribution to be deducted from tax (item d x 7.75%)	f	133.75
tax deductible expenses	g	111.25
calculation base for advance income tax payment, rounded to full zlotys (item a - item g - item c)	h	1 615.00
advance in income tax before deducting health contribution [(item h x 18%) – 46.33 zł]	i	244.37
advance on income tax due, rounded to full zlotys (item i - item f)	j	111.00
amount to be paid - net (item a - item c - item e - item j)	k	1 459.48
contributions charged to employers on amount of 2 000 zł: (pension 9.76%, i.e. 195.20 zł + disability pension 6.5% , i.e. 130 zł + injury 1.80% i.e. 36 zł + Labor Fund** 2.45%, i.e. 49 zł+ Employee Benefit Fund** 0.10%, i.e. 2 zł)	l	412.20
Total employer's cost (item a + item l)	m	2 412.20

Note:

* interest rate of injury insurance benefit is determined by the Regulation of 29 November 2002 of the Minister of Labor and Social Policy, Journal of Laws 2013, item 878.

** contributions for Labor Fund and Employee Benefit Fund are charged for employees who did not reach at least 55 (women) or 60 years (men) of age.

Source: calculation example of net remuneration, <http://www.wskazniki.gofin.pl/8,223,2,przykladowe-obliczenie-wynagrodzenia-netto.html> (Accessed: 21 January 2017).

Every employer aims at the optimization of personnel costs in his/her entity. High personnel costs are avoided by a decrease in the employment of staff with contracts of employment; instead, the employers hire either sole traders or employees under civil law employment contracts. High labor costs also result in the increase in employment in the gray economy.

According to A.Marshall, a well-paid job is effective and ,consequently it is inexpensive¹². *The configuration of determinants that influence the value of work may differ slightly in the case of particular workers. They are prestige, appreciation, job satisfaction, attractiveness, financial incentives and other*¹³.

The increase in expenses of an entity on particular elements of personnel costs may lead to a potential increase in work effectiveness, which may become a work motivational factor and result in a higher positive financial result of the company.

It should be emphasized that a well-paid employee is satisfied and eager to work. As a result, such an employee is more effective than one that is poorly paid and cannot support the family. Thus, it is possible to minimize remuneration costs on the condition that this is compensated by the expenses on trainings, benefits or in-kind prizes. The increase in the expenses on trainings and the improvement of employee competencies and qualifications will increase their self-assessment and consequently the assessment of the employer who invests in them. The investment in staff is the best kind of investment for any business entity.

In order to decrease the regulatory liabilities of employers and employees, managers should increase the use of such other material or financial benefits as company mobile phones, company cars or flats, sports and cultural benefits, vouchers, etc.

The appreciation may be shown by a promotion which, according to K.Padzik, *is an increase or extension of employee's competencies, tasks and responsibilities, which is usually connected with a better remuneration package and a change of a workplace*¹⁴

The promotion does not always results in the increase in remuneration. There are positions or employees where such factors as the appreciation by superiors the prestige in the company or job satisfaction (as presented in Figure 7) are more important than a salary rise. Obviously, this is the case of positions that are very well are quite well paid as for employees

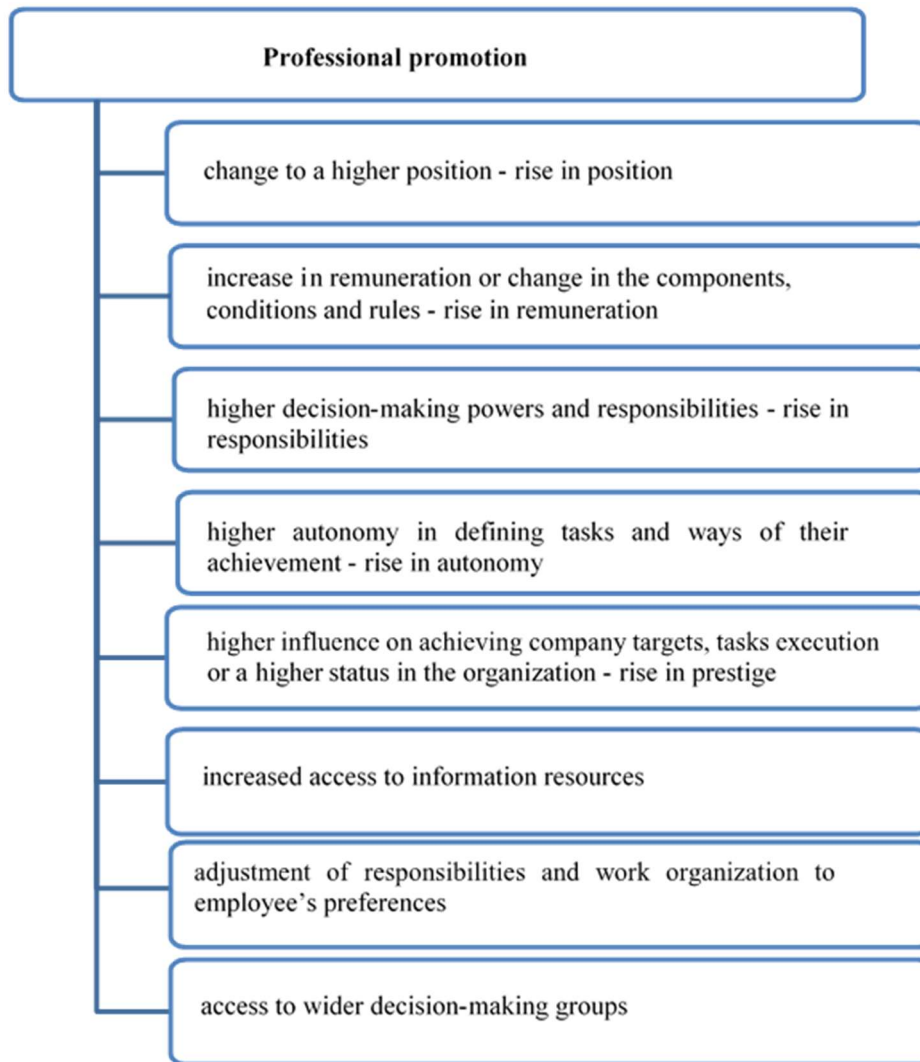
¹² E. Kwiatkowski, *Bezrobocie. Podstawy teoretyczne*, Wydawnictwo Naukowe PWN, Warszawa 2002, p. 180.

¹³ R.A. Weber, *Zasady zarządzania organizacjami*, PWE, Warszawa 1984, p. 43.

¹⁴ K. Padzik, *Leksykon HRM. Podstawowe pojęcia z dziedziny zarządzania zasobami ludzkimi (ze słownikiem angielsko-polskim i polsko-angielskim)*, C.H. Beck, Warszawa 2002, p. 6.

with salaries well below the average wage the increase in remuneration is the main token of appreciation.

Figure 7. Types of professional promotion



Source: Authors' research based on T. Listwan (ed.), *Słownik zarządzania kadrami*, C.H. Beck, Warszawa 2005, p. 12.

The above attributes can be applied either together or separately in line with the HRM rules accepted by a company and with the consideration of company personnel costs.

There is also a kind of promotion where an employee is given a formally higher position that in fact is considered to involve less responsibility. In such cases, the employee – although promoted – is less respected and consequently his/her motivation to work decreases. From the point of view of the company such promotion may be necessary but as regards HRM, it is a mistake.

3. The role of personnel costs in the cost type classification in Company X in 2013 - 2015

The company under investigation has been operating for over 10 years. Its business activity, according to PKD (the Polish Statistical Classification of Activities) is under item 4120Z.

The main activity of the Company is the provision of services in the area of construction, assembly and installation works as well as repairs of coke ovens and industrial furnaces.

Its human resources include such specialists as bricklayers, plasterers, painters, tilers, stone layers, carpenters, steel fixers, concreters, sheet metal workers, roofers, welders, assembler, industrial furnace brick masons, pipe-fitters, etc.

The experience gained by the staff on local sites and abroad ensures the knowledge of the latest construction technologies and organization solutions; all this guarantees a delivery of high quality work.

The employment structure of Company X by employment length is given in Table 2.

Table 2. Company X Staff by employment length (over 10 years)

Employment length in the company	2013	2014	2015
10-14 years	18	22	22
15-19 years	13	13	10
over 20 years	2	6	9
Total:	33	41	41

Source: Authors' research based on internal documents of Company X.

In the course of its operations, the Company went through numerous stages of its life-cycle, which resulted in gaining experience and knowledge that are necessary in the implementation of its management strategy, including personnel strategy.

Following the implementation of the ISO 9001:2008 management quality standard, the employment in Company X was based on¹⁵:

- plans of the structure of employment;

¹⁵ It was conducted in line with scientific solutions, e.g.. T. Rostkowski, *Kompetencje a jakość zarządzania zasobami ludzkimi* [in:] A. Sajkiewicz (ed), *Jakość zasobów pracy. Kultura, kompetencje, konkurencyjność*, Poltext, Warszawa 2004, pp. 86-87.

- description of the scope of activities, responsibilities and competencies of office and floor workers;
- professional recruitment and selection of staff with the consideration of their qualifications and stated desire to learn and improve;
- a table of remunerations;
- succession planning.

Company X is a medium-sized company and it offers its employees stable employment agreements. Table 3 presents the volume of employment calculated per full-time jobs in the last 3 years, i.e. in 2013-2015.

Table 3. Employment volume in Company X calculated per full-time jobs

Specification	2013	2014	2015
Poland	50	72	66
Czech Republic	32	39	38
Total:	82	111	104

Source: Authors' research based on internal documents of Company X.

Company X is operating in the construction sector and consequently it employs mainly male employees, which is presented in Table 4. Men work in management, supervision and in blue collar positions:

- Company Board – a family company (father and son);
- Export Manager and Production Manager;
- Construction Site Managers;
- other blue-collar positions such as bricklayers, steel fixers, , painters, tilers, , industrial furnace brick masons, assembler – welder, construction worker, etc.

Women work mainly in administration: Chief Accountant, Head of the Office, HR Officer, Administration Officer, Marketing and Sales Officer, Production and Procurement Officer, Costing and Quotation Officer.

Table 4. Employment volume by gender

Year	2013	2014	2015
Poland (total), including	50	72	66
female	6	6	6
male	44	66	60
Czech Republic (total), including:	32	39	38
female	3	3	3
male	29	36	35
Female - total	9	9	9
Male - total	73	102	95

Source: Authors' research based on internal documents of Company X.

The age of Company X employees is varied; it is in the range 27-71 years , which results in the average range of 45-53 as presented in table 5.

Table 5. Average age of Company X staff

Year	2013	2014	2015
Poland	45	46	45
Czech Republic	52	52	53
Total:	48.5	49	49

Source: Authors' research based on internal documents of Company X.

When analyzing the employment structure, one can easily notice its stability, which is presented in Table 6. It should be emphasized that the termination of employment at the expiry of the contract concerns agreements with temporary staff that were signed for periods necessary to complete particular projects.

Table 6. Staff turnover in Company X

Specification	2013	2014	2015
Mutual agreement	9	3	4
Employee's request	8	0	
Employer's request	1	3	2
Pension retirement	1	1	1
Expiry of the contract	8	15	15

Source: Authors' research based on internal documents of Company X.

The low staff turnover constitutes a significant benefit for the company under investigation as it results in lower costs of the recruitment of new employees, their preventive medical checks, work safety trainings, qualification trainings, work clothing costs, redundancy payments, holiday compensations, etc.

In Company X, personnel costs are accounted in Group 4 of the Corporate Chart of Accounts, i.e. in a cost type classification. Thus, for example, the costs are broken down into the costs related to remuneration, social insurance, other staff benefits and external services. Moreover, the item of other costs by type includes other costs related to HR, trainings, business trips and various bonuses within non-financial motivational tools.

The breakdown of costs by type clearly shows personnel costs such as:

- remuneration;
- social insurance and other staff benefits.

The same way of presenting personnel costs is followed in the profit and loss account-by nature of expense that was applied by Company X, see Table 7.

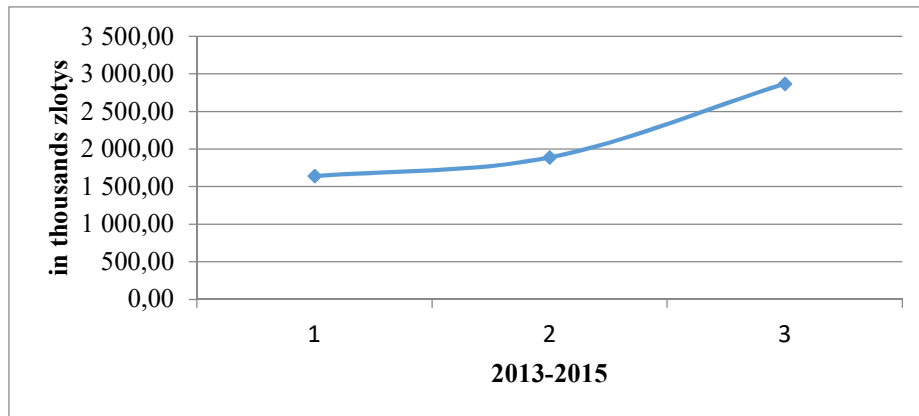
Table 7. Profit and loss account in 2013-2015

Comparative profit and loss account (in thousands zlotys)				
	Item	Data for year		
		2013	2014	2015
A.	Net revenues from sales and equivalent, including:	15 523.73	22 741.66	17 017.42
I.	Net revenues from sales of products	9 419.75	26 384.71	17 486.25
II.	Change in the balance of products (increase – positive value, decrease– negative value)	5 900.93	-3 643.01	-468.83
IV.	Net revenues from sales of goods and materials	203.05		
B.	Operating expenses	13 691.05	20 924.16	15 315.34
I.	Amortization and depreciation	115.43	218.78	234.86
II.	Consumption of materials and energy	3 298.01	4 631.13	2 922.53
III.	External services	3 869.25	7 784.51	4 643.50
IV.	Taxes and charges, including:	63.54	50.54	77.66
V.	Payroll	3 525.34	4 850.46	3 408.23
VI.	Social security and other benefits	790.87	1 182.31	1 378.18
VII.	Other costs by type	1 838.61	2 206.44	2 650.33
VIII.	Value of goods and materials sold	189.98		
C.	Profit (loss) on sales (A-B)	832.68	1 817.49	1 702.08
D.	Other operating expenses	334.34	411.86	1 212.72
I.	Gain on disposal of non-financial fixed assets	5.80	16.26	
IV.	Other operating revenues	328.54	395.60	1 212.72
E.	Other operating expenses	233.84	350.94	336.97
I.	Loss on disposal of non-financial fixed assets	0.01		
III.	Other operating expenses	233.83	350.94	336.97
F.	Profit (loss) on operating activities (C+D-E)	1 933.19	1 878.41	2 577.83
G.	Financial revenues	222.17	523.34	1 020.37
I.	Dividend and profit sharing, including:			851.04
	a) from related parties			851.04
II.	Interest, including	215.75	104.06	157.47
V.	Other	6.43	419.28	11.86
H.	Financial expenses	110.86	44.44	9.46
I.	Interest, including:	0.58	7.79	4.41
IV.	Other	110.27	36.65	5.05
I.	Gross profit (loss) (F+G-H)	2 044.51	2 357.31	3 588.73
J.	Income tax	411.28	462.56	717.08
K.	Other statutory reductions in profit (increases in loss)	-8.60	3.48	0.32
L.	Net profit (loss) (I-J-K)	1 641.83	1 891.27	2 871.34

Source: Authors' research based on internal documents of Company X.

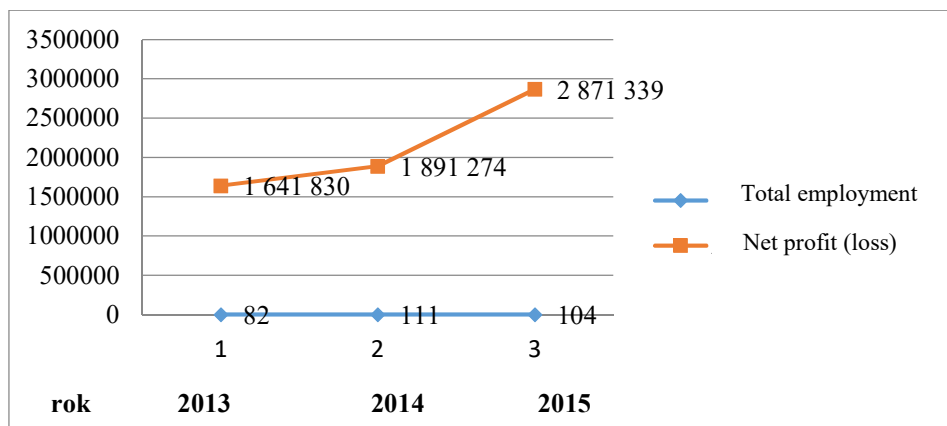
Graph 1 presents net profit in 2013-2015, while graph 2 presents changes in net profit in correlation with employment.

Graph 1. Net profit in 2013-2015



Source: Authors' research based on internal documents of Company X.

Graph 2. Changes in net profit in correlation with employment



Source: Authors' research based on internal documents of Company X.

The significant growth in profit in year 3 of the investigation, i.e. in 2015, accompanied by an insignificant change in employment, is the result of the transfer of the ownership of dwellings within company's developer operations.

Table 8 presents the structure of financial results by result segments.

Table 8. Synthetic information on financial result

Result segment	2013	2014	2015
Basic operating activity (C)	1 832.68	1 817.49	1 702.08
Other operating activities D-E	100.50	60.92	875.75
Financial activity G-H	111.31	478.90	1 010.91
Extraordinary events J	0	0	0
Obligatory encumbrances on financial result L+M*	402.68	466.04	717.40
Net result	1 641.83	1 891.27	2 871.34

*other statutory reductions in profit (increases in loss)

Source: Authors' research based on internal documents of Company X.

Table 8 shows that the basic operating activity, whose financial result is decisive as regards net profit, is the most significant result segment in the period under analysis. Thus, the statutory activity should be continued. One should also appreciate the positive partial results of other result segments (other operating activities and financial activity); however, their relative share in the net profit is insignificant.

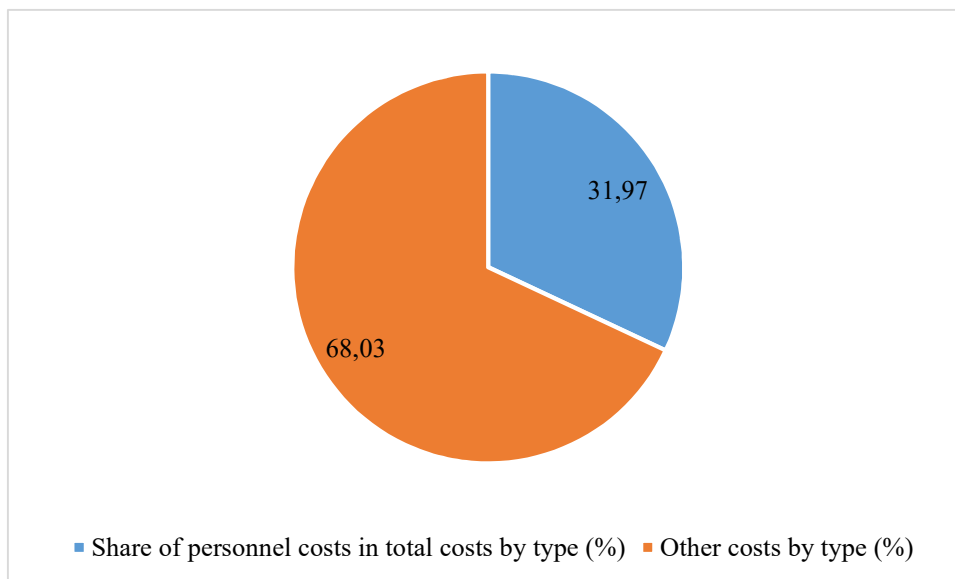
Table 9 presents the role of personnel costs (payroll, social security and other benefits) against other items in the cost type classification. Graphs 3-5 present the share of personnel costs in the Company's costs by type.

Table 9. Share of personnel costs in costs by type (in thousand zlotys)

Wyszczególnienie	2013	2014	2015
Amortization and depreciation	115.43	218.78	234.86
Consumption of materials and energy	3 298.01	4 631.13	2 922.53
External services	3 869.25	7 784.51	4 643.50
Taxes and charges, including:	63.54	50.54	77.66
Payroll	3 525.34	4 850.46	3 408.25
Social insurance and other benefits	790.87	1 182.31	1 378.18
Other costs by type	1 838.61	2 206.44	2 650.35
Total costs by type	13 501.05	20 924.16	15 315.34
Personnel costs	4 316.21	6 032.77	4 786.43
Share of personnel costs in total costs by type (%)	31.97	28.83	31.25

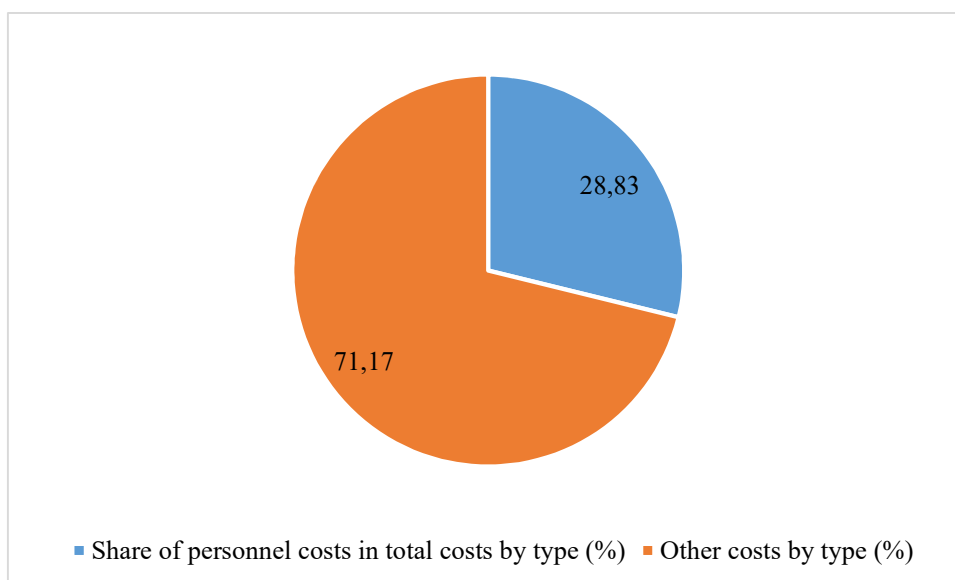
Source: Authors' research based on internal documents of Company X.

Graph 3. Share of personnel costs in total costs by type in 2013



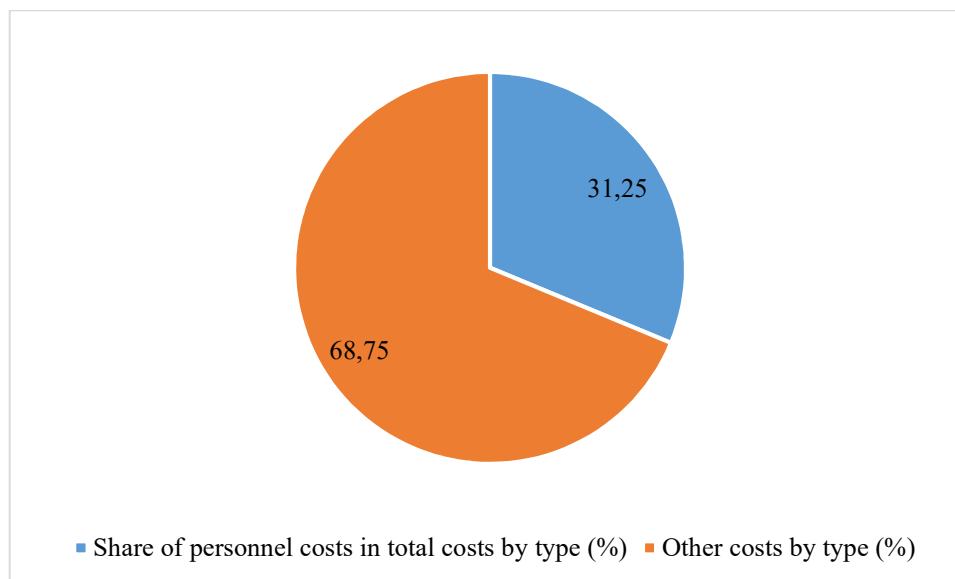
Source: Authors' research based on internal documents of Company X.

Graph 4. Share of personnel costs in total costs by type in 2014



Source: Authors' research based on internal documents of Company X.

Graph 5. Share of personnel costs in total costs by type in 2015



Source: Authors' research based on internal documents of Company X.

The data on personnel costs in Figure 9 indicate to the fact that the highest value was reached in 2014, which was the result of an increased employment and the range of contracts; the relative share in the costs by type accounted for approx. 29%. In 2013 and 2015, the level of personnel costs remained almost stable and accounted for about 31-32% of the costs by type.

4. Ratio of personnel costs to net sales revenue in Company X

Company X applies scientific achievements in the area of HRM. In a properly managed company there is relation between effective personnel management and the revenues gained on the basic operating activity; this should result in profits¹⁶. It is the professionalism of the staff, their knowledge and skills that have an impact on the quality of company products and services; consequently, the company may quote higher prices and extend its operations to new markets.

Modern HRM has a new approach to personnel management; its objective is to find ways to free the potentials of employees¹⁷. Only human resources have the capacity to produce more than they are worth themselves.

¹⁶ W. Cascio, *Kalkulacja kosztów zasobów ludzkich*, Oficyna Ekonomiczna, Kraków 2001, p. 327.

¹⁷ P. Reilly, T. Williams, *Strategiczne zarządzanie zasobami ludzkimi- rozwijanie potencjału organizacji dzięki funkcji personalnej*, Wolters Kluwer business, Kraków 2009, p. 12.

In the case of Company X, one can notice such professional approach to HRM due to its impact on:

- company personnel costs , and – consequently – on the profit on sales,
- staff professionalism;
- product brand;
- sales price.

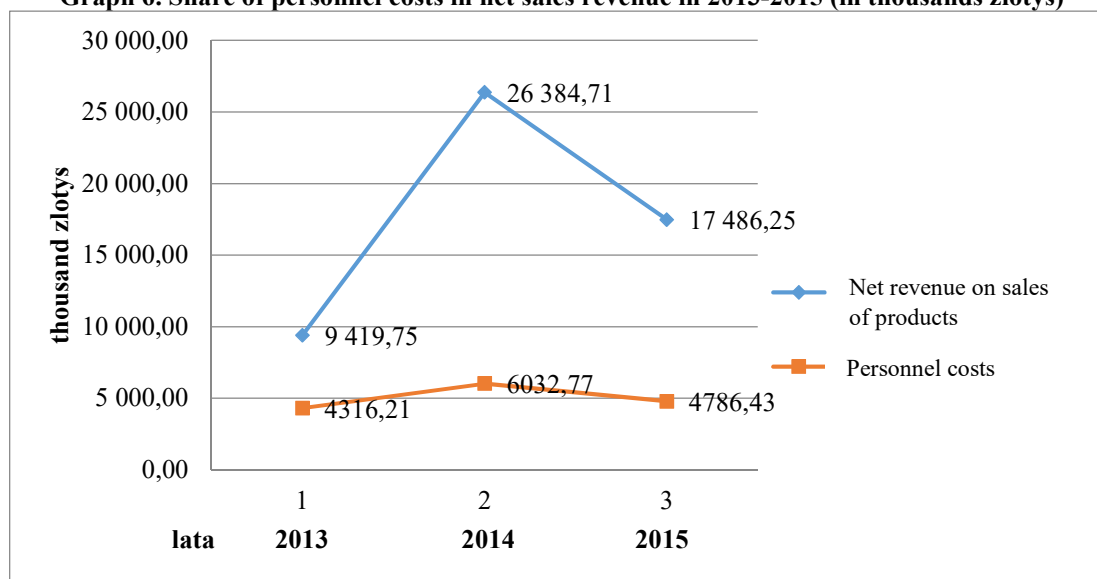
The ratio of personnel costs to net sales revenue is given in Table 10 and Graph 6.

Table 10. Share of personnel costs in net sales revenue in 2013-2015 (in thousands zlotys)

Specification	2013	2014	2015
Net revenues on sales of products	9 419.75	26 384.71	17 486.25
Personnel costs	4 316.21	6 032.77	4 786.43
Share of personnel costs in net sales revenue (%)	45.82	22.86	27.37

Source: Authors' research based on internal documents of Company X.

Graph 6. Share of personnel costs in net sales revenue in 2013-2015 (in thousands zlotys)



Source: Authors' research based on internal documents of Company X.

According to Table 10 and Graph 6, the share of personnel costs to net revenue on sales was relatively high in 2013 and accounted for 45.82%; however, it went down in the two subsequent years (2014, 2015) to 22.86% and 27,37%, respectively, which was considered a satisfying result for the Board.

As regards the ratio of the revenue to personnel costs, the figures of 2014 should be considered particularly satisfying; in that year the increase in the sales revenue exceeded significantly the growth in the personnel costs.

The staff turnover in Company X is low, which results in the lack of additional costs that are involved with recruitment, training, research or the induction of newly employed staff. Thus, it is an extra financial and marketing benefit for the company.

Conclusions

HRM is a crucial scientific and practical issue of management science. The measurement of the effects of management is the object of accounting. Accounting records have to be adjusted to the requirements of the management of remuneration costs, social security costs and the costs of other staff benefits, trainings, recruitment, etc.

A synthetic information on personnel costs should be also included in a financial report – either in a profit and loss account – by nature of expense or in the additional information in the case of a profit and loss account – by function of expense. It should be indicated that in the assessment of the employment policy one should take into consideration the financial effects of the employment in the basic operating activity presented in the form of the generated sales revenue.

The analysis presents the role of personnel costs with regard to revenues in every business entity. This is obviously an important result category that has an influence on HRM.

In the case of the company under investigation there are reasons to assess positively its personnel policy and the management's attitude to human resources. The stability of employment is a strong asset and, consequently, the company does not have additional costs.

Currently, there is an alarming trend in numerous companies to discriminate employees on the grounds of age, which results in the fact that employees aged 45+ have problems to find new work. However, the specific nature of the Company's operations requires the employment of highly specialized staff and specialists that are not easily available. As a result, the employment policy of the Company has to create conditions that support stable employment and encourage the identification of the staff with the Company management objectives.

What is more, the remuneration policy of Company X is complicated due to diversify conditions for concluding contracts. As a result, one cannot investigate the trends in personnel

costs with the use of statistical methods due to the lack of the continuity of comparisons as regards the relation between remuneration and economic benefits (e.g. sales revenues).

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Abstract

The article presents personnel costs as the object of measurement in accounting. It shows the importance of personnel costs in every business activity, indicates the need to measure them, and also presents costs as tools supporting human resources management. The empirical part of the article discusses the role of personnel costs in the cost type classification in Company X in 2013-2015 and presents the ratio of personnel costs to net sales revenue in Company X.

Keywords

Personnel costs, accounting, labor costs, work remuneration, human resources management