



# CAR Master training

## CONTENT UNIT 5

### ECONOMIC AND ORGANISATIONAL KNOWLEDGE



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# 5 Economic and organisational knowledge

## 5.1 Introduction

### The topic

As a production manager, you are faced with several company-relevant questions every day: Should I invest in a new machine to increase the efficiency of production? How do I select my employees to strengthen the team? How do I calculate the costs for a product or the use of materials? And what rights do my workers have?

To answer these questions, you will sooner or later encounter topics such as accounting, controlling, personnel planning and labour law. But what sounds complicated at first is only half as bad. On the following pages, we will try to find our way through the jungle of terms and get an overview of a company's economic and organizational basics.

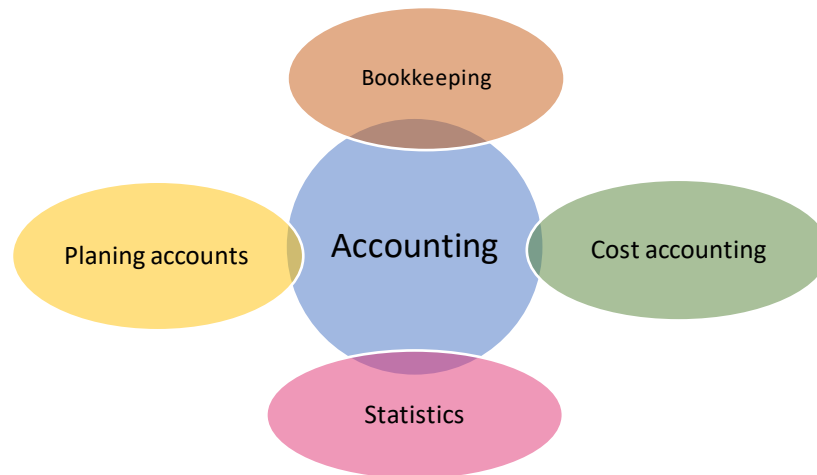
In this module you will learn about:

- You know the sub-areas of accounting
- You know the principles and tasks of controlling
- You can define the terms income and expenses
- You can define the term costs
- You can name the objectives of human resource planning
- You can define qualitative human resource planning and describe the procedure in qualitative human resource planning
- You can define the terms payment system and remuneration
- You know the European minimum requirements of working conditions
- You know the EU regulations to improve work-life balance
- You know what questions they are allowed to ask during a job interview

## 5.2 Business basics

Calculating profits, calculating sales prices, documenting purchases and sales, planning future business years and making important decisions in the company - and we are already in the middle of accounting. Most of you have probably come across the term before. But what exactly is accounting? What does it include and what is its purpose? Let's take a closer look at the term accounting and first try to find out which areas belong to accounting.

Accounting consists of four sub-areas: Accounting, cost accounting, statistics and planning accounting.



Let us now take a closer look at the individual sub-areas:

a.) Bookkeeping:

Bookkeeping is, so to speak, the basis of accounting. Its task is to record and document all income, expenditures, and other financial transactions. It thus provides important figures for cost accounting, statistics, and planning. The following example illustrates what this means for your everyday work

**Example**

You purchase a new, more efficient piece of equipment worth €10,000 for production and receive an invoice for it. To ensure that you still have an overview of your income and expenditure in your company at the end of the year, the accounting department records the invoices and documents the payment flows.

b.) Cost accounting:

The second major area of accounting is cost accounting. Thus, companies are always faced with the question: How high should the price be that is charged for a product? How high are the production and personnel costs for it? And most importantly: can a profit be made with it? Cost accounting provides us with important information to answer these questions. It is responsible for calculating sales prices and provides an overview of company costs. Cost accounting receives the figures it needs for its calculations from accounting. The information obtained through cost accounting helps the company to make important decisions and plan future processes.

### Example

You want to sell a car in your company and have to set the price. Not so easy, because if the price of the car is too high, interested parties will buy the car from cheaper competitors. If you charge too little, the costs incurred cannot be covered. So you need cost accounting to be able to calculate the price efficiently.

In cost accounting, some terms come up again and again, which we will try to clarify briefly in the following.

The first term that catches the eye, as the name already tells us, is "costs". "But everyone knows that word!", you may think. But even though we use the term almost daily, its definition is not as self-evident as it seems at first glance. There are many different ways to explain the term. However, we will limit ourselves to its definition within cost accounting:

### Definition

Costs are understood to be the value of all goods and services that were required in the course of a certain accounting period (e.g., a year or a month) for the implementation of operational services (e.g. products).

In short, costs are incurred when creating products or services.

In addition to the calculated costs, income and expenses are also relevant for cost accounting.

In cost accounting, income is all actual inflows of a company. We call these inflows liquid funds. If we speak of income, these liquid funds are thus increased. However, these do not only consist of receipts but also all kinds of credit transactions, i.e., receivables and payables. If the income and receivables increase and the debts decrease, we are talking about revenues.

### Definition

Income is the total of all receipts, increases in receivables and decreases in debt.

Expenses are defined as the total of all disbursements, increases in receivables, and increases in debts. In short: liquid funds decrease.

### Example

Examples of the most common Incomes and costs:

A worker's payroll: cost.

What the company must pay for the social security of its workers: cost.

The sale of merchandise to customers: income.

Water and electricity bills: cost.

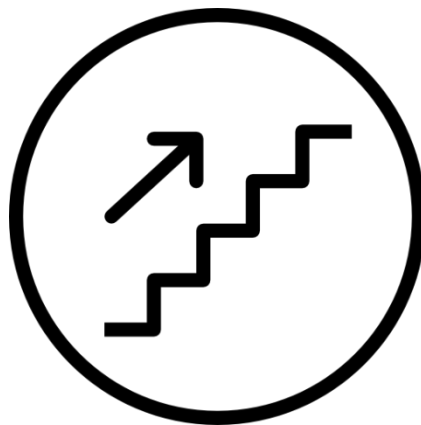
The provision of services to customers: income.

Petrol needed to get the job done: cost.

Profit obtained from the sale of machinery: income.

Bank fees: cost

Let us now go one step further. Thanks to cost accounting, we obtain important data that are in turn necessary for successful business management. Namely for the planning, management, and control of all areas of a company. And here we are in the middle of controlling.



"Controlling = control?", you may ask yourself. In any case, you are already on the right track.

### Definition

**Controlling** has a **controlling function** in a company. Its task is to whether a company can achieve its goals with the available resources, to observe the competitive situation as well as to assist in goal setting.

The most important tasks of controlling are both operational and strategic:

- ✓ Operational: This includes ensuring the profitability of a company as well as the planning calculation.
- ✓ Strategic: This includes market analysis, advising the management and preventing wrong decisions.

### c.) Statistics

The third major area of accounting is statistics. It processes and analyses figures from accounting and cost accounting and presents them in the form of tables, graphs, or key figures. Business statistics thus provide a company with important information for controlling the company's activities as well as a collection of data needed for future business planning.

With the help of these data, target-performance comparisons, but also time comparisons and inter-company comparisons can be calculated.

#### Hint

**Target/actual comparison:** The target/actual comparison aims to find out where the weaknesses of a company lie when the actual state deviates from the target state.

**Time comparison:** Here, figures from previous periods are compared with those of the current period. This can be used to illustrate changes and developments in the company.

**Inter-company comparisons:** Here, different companies in a similar sector or individual companies in the same enterprise are compared with each other.

### d.) Planning

As the last sub-area of accounting, we take a closer look at business planning. It helps a company to plan its operational success and to make important decisions relevant to the future. To ensure that this is not left to chance, planning accounting is needed. This uses relevant data from cost accounting, statistics and accounting. With the help of this data, the planning calculation compares the planned expenditure and the predicted income and can thus plan the anticipated budget.

You have now become familiar with all four sub-areas of accounting and thus have an important tool in hand to understand, observe and help shape the economic processes in your company.

### Example

Effective cost management:

Know how much money you have and decide how much you want to invest.

Set a timetable to plan and prepare the annual budget

Prepare a for planning and budgeting

The budget must be realistic. That includes analyzing the current situation, asking which goals you want to achieve during the year and calculate the expected incomes and how much money will have to be invested to achieve them.

Each category of expenses must have a limit.

Always define a specific budget for emergencies

## 5.3 Human Ressource planning

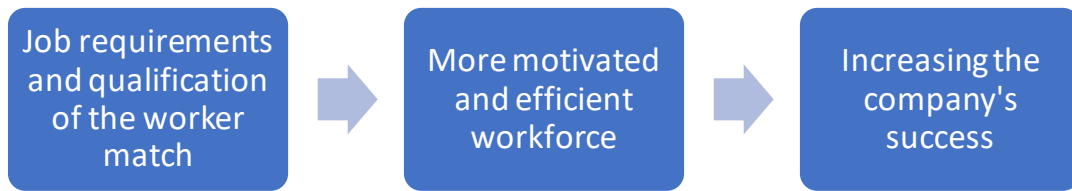
The most important resource of any company is not the machines or the material, but the human workforce. They are the engine, the driving force of a company, without whom nothing runs. For the cooperation between the company and employees to work well, efficient human resource planning is needed.

Human resource planning tries to find out how the staff must be composed in the short but also the longer term so that it is as economically efficient as possible for the company. The main question is how many staff are needed for which work processes so that the company has neither too many nor too few workers. In addition, it is of course not irrelevant with whom the position is filled. Instead, the people must be selected in such a way that they fulfil the requirements of the position. Because only then is motivated and productive work possible. Personnel planning is therefore an important basis for the functioning of a company.

### Example

You probably know it yourself: A job that is under or over-demanding for us, or that we simply don't enjoy, is one that we usually do listlessly. In contrast, we are much more motivated and committed to work that satisfies us and for which we feel qualified and are thus usually more efficient.

Human resource planning aims to deploy staff in such a way that the requirements of the job match the qualifications of the workforce as closely as possible. In other words, the workforce should be in the right place at the right time. The consequence: Your workforce works more motivated and efficiently and the success of the entire company can be increased.



If we take another closer look at the areas of responsibility and objectives of human resource planning, we can see that it involves qualitative tasks on the one hand and quantitative tasks on the other. Thus, human resource planning can be divided into two major areas of quantitative and qualitative human resource planning:

- **Quantitative human resource planning** aims to find out how many staff are needed  
→ Survey of the personnel requirements





**Qualitative human resource planning** attempts to find out what requirements a particular job demands and how they achieve the necessary qualifications  
→ Development of training and further education offers



Let us now take a closer look at qualitative human resource planning and first note: The tasks and requirements demanded by a particular position must always be presented in a transparent and comprehensible way. To achieve this, a certain procedure is used in qualitative human resource planning. Namely, working with job descriptions. These form the basis for qualitative human resource planning.

How do you create such a job description? Most of you have probably been looking for a job during your professional life and have read one or two job advertisements. You may have noticed that it consists of different areas. Namely, the definition of the activities that the job entails, the description of the job and a list of the requirements for the future employee.

### Definition

A **job description** is a **description of a position**. This description includes information regarding work objectives, tasks, work content, required competencies and relations to other positions and persons.

The task of qualitative human resource planning is now to create a job advertisement with precisely this content. Different steps are necessary for this. The following figure gives you an overview of the individual steps of the job description:



Before you can describe the job, you have to record exactly which activities have to be done and how much time they will take in the course of the task analysis. In addition, you must document which information and services are required from interfaces, i.e. other persons or companies, or to whom the position must transmit information and services. As soon as you have described the tasks in detail, you can start writing the job description. All tasks, areas of responsibility and interfaces must be described in a person-neutral and objective manner.



Finally, in the next step, a job profile can be created for the corresponding position. This in turn forms the basis of the job advertisement. It is therefore particularly relevant for successful recruitment.

### Definition

The **job profile** contains a detailed **description of all qualifications, and competencies** but also **personality traits** required for the position, which a future employee must possess.

The job profile contains four different areas of competence. And for each of these competence areas, the competencies and characteristics required for the job must be described. These four areas of competence are: professional, personal, social, methodological and leadership competencies.

## Example

The human resources responsibilities of a painting company has developed this job description to contract new staff for the painting area:

Description and analysis of POSITION

Name: Maintenance Painter

Section: Industrial

Overview: Painting metal and wood surfaces

JOB DESCRIPTION

Prepare the surfaces to be painted, scraping, and sanding them, and removing paint residues. Introduce the paint into a compressor, connect the equipment to the compressor and regulate the flow by valves. Protect with tape the surfaces that should not be painted. Direct the spray gun towards the parts to be painted with movements in a vertical, horizontal and circular way; Sand paint after drying, before applying another coat to obtain a perfect surface. Retouch with a brush the inaccessible parts.

Once you have created the job profile and found a suitable worker for your team, another central question arises: What about remuneration? That is, how much money do you as a company want to pay your staff? How much money does the worker expect and how much is appropriate? Remuneration is the basis for successful cooperation between the worker and the company. We all feel the same way: if we receive the remuneration we expect for our work, we are more motivated to work productively. The money that a worker receives from the company in return for his or her work is generally referred to as remuneration.

## Definition

**Remuneration** includes all benefits that a worker receives from the enterprise in return for his or her work. This can be a wage, salary, remuneration or apprenticeship compensation.

If you are **employed as a salaried worker**, such as an office clerk, then you receive a fixed agreed **monthly salary**.

If, on the other hand, you are employed as a person in an **employment relationship**, such as a worker in production or gastronomy, then you receive a **salary** that depends on the work you have done.

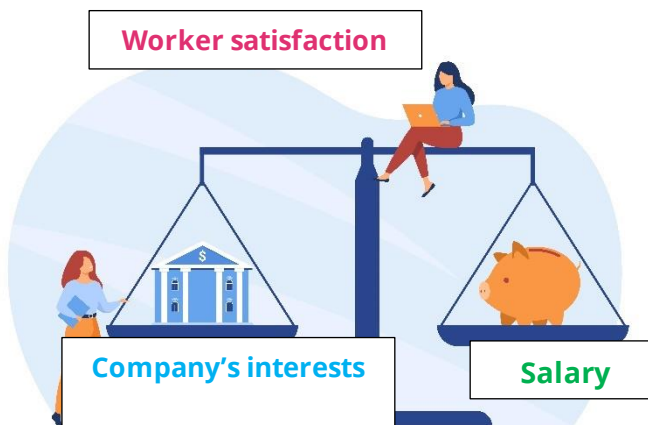
It is not so easy to determine the remuneration in such a way that at the same time, the motivation and willingness to perform of the workers are maintained and the personnel costs are covered. To find the right balance, you need a suitable remuneration system.

### Definition

The **remuneration system** of a company comprises all rules according to which remuneration is determined.

The objectives of a remuneration system are:

- To adequately remunerate the individual work performance of each worker
- Be comprehensible and transparent for the employees
- Be fair throughout the company



### Example

The remuneration system in PINTURAS SL has two parts:

#### **A: Fixed remuneration:**

The fixed remuneration is related with:

The magnitude of responsibility required by the position in the organization.

The impact on decision-making that the employee has in the company.

The number of people who depend on the employee.

The experience in the position and the level of knowledge required to develop the work

The autonomy that the person has to development the tasks.

#### **And with the levels of Responsibility:**

1. Manager
2. Technical Team.
3. Administrative
4. Productive staff

#### **B: Variable remuneration:**

The variable remuneration is defined by the company for all the staff. In this company represents a percentage of the gross annual salary taking into account the surplus of the organization.

100% bonus: Result between 260,000 and 350,000 euros

Bonus 75%: Result between 205,000 and 260,000 euros

Bonus 50%: Result between 150,000 and 205,000 euros

Bonus 115%: Result above 350,000 euros.

## 5.4 Labour Law basics

In addition to fair pay, your employees are also entitled to a wide range of rights under EU rules, which a company must guarantee to respect.

EU labour law is primarily concerned with two major issues:

- Working conditions (working hours, part-time work, fixed-term employment contracts, etc.).
- Consultation of workers in the event of collective redundancies or company relocations, etc.

But you as an employer can also benefit from EU labour law. It provides you with a clear framework of rights and obligations in the company. In addition, the health of all employees is protected, productivity is increased, and economic growth is promoted.

So what are the most important working conditions? How many hours per day is a worker allowed to work? What about holidays? And what are the regulations for night work?

The EU has set the following minimum standards, which apply throughout the EU:

### Note

- A **working week** of no more than **48 hours**
- A minimum of **4 weeks** of paid **annual holidays**
- Rest during working hours after no more than **6 hours of work**
- A rest period of at least **11 hours** after at **most 24 hours of work**
- A minimum **24-hour rest period** of seven days (=at least one day off per week).
- Night work: the working time for night work must not exceed an average of **8 hours per 24-hour** period
- The fixed-term probationary period must **not exceed 6 months**
- A **mandatory training** must be **free** of charge and take place **within working hour**

A particular focus of EU law is also the reconciliation of work and private life. This is primarily a matter of reconciling working life with family life.



Employees have the following rights in this regard:



- Entitlement to at least 10 working days of paternity leave with pay at least equal to sick pay.
- Entitlement to at least 4 months of parental leave, 2 months of which are non-transferable and paid to the other parent
- Entitlement to 5 working days of annual care leave for dependants in need of care or with serious illnesses
- The right to flexible working arrangements (e.g. reduced working hours etc.) for parents of children up to at least 8 years of age or caring relatives

Now that you know how to create a job description for possible future employees and know the most important rights of employees, let's turn to one last important topic: The interview. This is an important part of the search for suitable workers.

During the interview, questions such as the nature and scope of the future job, the amount of pay, required and existing qualifications, or the start date of the job should be clarified. It also serves to get to know the applicant better. Topics such as personal interests and soft skills can be discussed to find out whether the person fits into the company's team. We will take a closer look at which questions you are allowed to ask in an interview and which are taboo.

You as the employer have the right to ask questions. In principle, the applicant must provide information about all circumstances concerning the future job.

For a job interview, this means:

Allowed Questions 	Questions not permitted 
Questions about qualifications, experience, and education	Questions about (spouses') partner or their job
Questions about privacy directly related to the job	Questions about privacy not related to the job
Questions about previous convictions which are still valid or which affect the appropriate exercise of future employment	Questions about previous convictions which have already been erased from the register
Questions about illnesses that pose a risk to the health of other members of the	Questions about general health status

company (e.g.: contagious diseases) or in areas that require a medical examination to determine suitability for the job	
Questions about disabilities in areas that require a medical examination to determine suitability for the job	Questions about disabilities
	Questions about the current pregnancy
	Questions about religious or political party affiliation or sexual orientation

### Important

The Equal Treatment Law as well as the Disabled Persons Employment Law must be observed at all costs.

We can therefore state that in human resource management, it is necessary from the very beginning to follow important rules and laws concerning both job descriptions and the application process, as well as remuneration and working conditions.

### Example

Sustainable development goal number 8 is about promoting inclusive and sustainable economic growth, employment, and decent work for all. By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. Human resources management is the one to help to achieve this goal in all companies.



## 5.5 Summary

### Save knowledge

In this learning unit, you have acquired the basics of business administration and human resource management as well as labour law.

We got to know the four sub-areas of accounting and looked at the central tasks of accounting, statistics, planning accounting and especially cost accounting. It became clear that bookkeeping is the basis of accounting and provides important information and figures for the other sub-areas. Further down the line, cost accounting can be used to calculate sales prices or statistics can be used to collect important company data, present it clearly and relate it to comparative data. Thanks to planning, it is again possible to make future decisions and calculate the expected budget.

In addition, we have found that your employees are the most important resource in the company. Without them, the company would stand still. Efficient human resource planning is therefore one of the most important building blocks for the success of a company. The most important goal of human resource planning is to deploy a workforce in such a way that its qualifications match the job requirements in the best possible way.

To achieve this goal, we need qualitative human resource planning. We have seen that qualitative human resource planning works with job descriptions, and we have learned about the individual steps that are necessary to create a job advertisement. If you have found a suitable employee with your job advertisement, the question of remuneration always arises. To ensure that the remuneration is not arbitrarily determined, a suitable remuneration system is needed. This means rules for fair, appropriate, and comprehensible remuneration.

You have also been given an overview of the most important contents of EU labour law. We now know that there are certain minimum standards for each worker that a company must meet. It is also important to ensure the compatibility of family and work.

Finally, you should now be prepared for a job interview and know which questions you can ask, and which are off-limits.

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