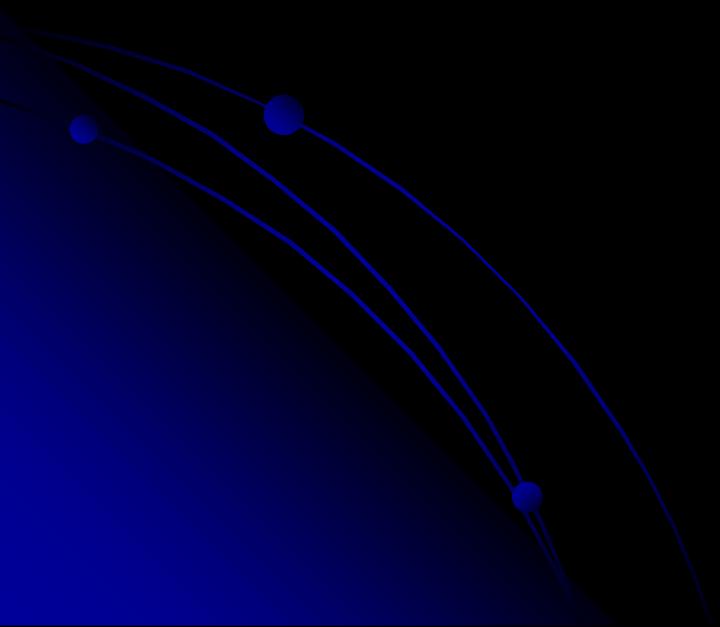


Calculating Gross Earnings with Differing Methods of Compensation



What you will learn...

- Terms related to compensation
- The formulas used to calculate gross pay for various methods of compensation
- Using Excel to calculate the various methods of compensation

What is compensation?

The money you receive for working!

Several methods of
being compensated:

- Straight time
- Overtime
- Double time

- Salary with commission
- Salary
- Commission
- Piecework

Hourly Methods of Compensation

- Based on the actual hours an employee works
 - Straight time (40 hours a week or less)
 - Overtime (All hours over 40 hours per week)
 - Double time (Not required by law, but nice!)

Straight time

(Anything 40 hours a week and under)

Hourly Wage Rate x Number of Hours
Worked

Straight time practice problem

Bob gets paid \$7.20 an hour. This week, he worked 38 hours. Calculate Bob's gross pay.

Solution

$$\$7.20 \times 38 \text{ hours} = \$273.60$$

Overtime

(Anything over 40 hours. 1.5 times regular wage)

Example:

55 hours @ \$10.15 an hour

Regular time pay: $40 \times \$10.15 = \406

Overtime pay: $55 \text{ hours} - 40 \text{ hours} = 15 \text{ hours}$

$15 \text{ hours} \times \$10.15 \times 1.5 = \$112.50$

Overtime (continued)

Regular time pay + Overtime pay = Gross Pay

$$\$406 + \$112.50 = \$518.50$$

Overtime practice problem

Alex worked 72 hours this week and gets paid \$8.25 an hour. Calculate her gross pay.

Solution

1. Calculate regular time

- $40 \times \$8.25 = \330

2. Calculate overtime pay

- 72 total hours – 40 regular time = 32 overtime hours
- $32 \times \$8.25 \times 1.5 = \396

3. Add the two

- $330 + 396 = \$726$

Double time

- A perk of some jobs
- Given for special working conditions
- Hours worked x Hourly wage x 2

Double Time Example

Jan had to work 10 hours on Christmas day. She makes \$12.00/hour. Assuming she gets double time for working on Christmas, calculate her gross pay.

- 10 hours x \$12 an hour x 2 = \$240

(See example on page 203)

Double time practice problem

George worked 60 hours this week. For working 5 hours on the 4th of July, George gets double time. George makes \$9 an hour. Calculate his gross pay for the week.

Solution

1. Calculate regular time pay

- $40 \times \$9 = \360

2. Calculate overtime pay

- $60 \text{ total} - 40 \text{ regular} - 5 \text{ double} = 15$ overtime hours
- $15 \times \$9 \times 1.5 = \202.50

3. Calculate double time pay

- $5 \times \$9 \times 2 = \90

Solution (cont.)

Add up the three:

$$\$360 + \$202.50 + \$90 = \$652.50$$

Salary

- Set amount you are paid regardless of how many hours you work.
- Divide yearly salary by how many paychecks per year

Example:

- Alice is salaried at \$35,000 per year. If she gets paid weekly, what is her gross pay?

$$\$35,000 / 52 \text{ weeks per year} = \$673.08$$

(See example on page 208)

Salary practice problem

Mark is salaried at \$36,000 per year. If he gets paid semi-monthly, what is his gross pay?

Solution

$\$36,000 / 24 \text{ paychecks a year} = \$1,500$

Salary plus commission

- Combine a set salary with a performance based system

Formula for commission:

$$\begin{aligned} & (\text{Sales} - \text{Quota} - \text{Returned Merchandise}) \\ & \times \text{Commission Percentage} \end{aligned}$$

Salary + Commission = Gross Pay

(See example on page 208)

Salary + Commission Example

Melissa receives \$200 per week for salary as a sales associate. Her quota is \$1,000 and her commission percentage is 7%. This week, Melissa sold \$12,000 in merchandise, \$500 of which was returned. Calculate her gross pay.

Solution

$$(\$12,000 - \$1,000 - \$500) \times 7\% = \$735$$

$$\$735 + \$200 = \$935$$

Piecework

- Based on some performance criteria
- Varies from situation to situation

Example:

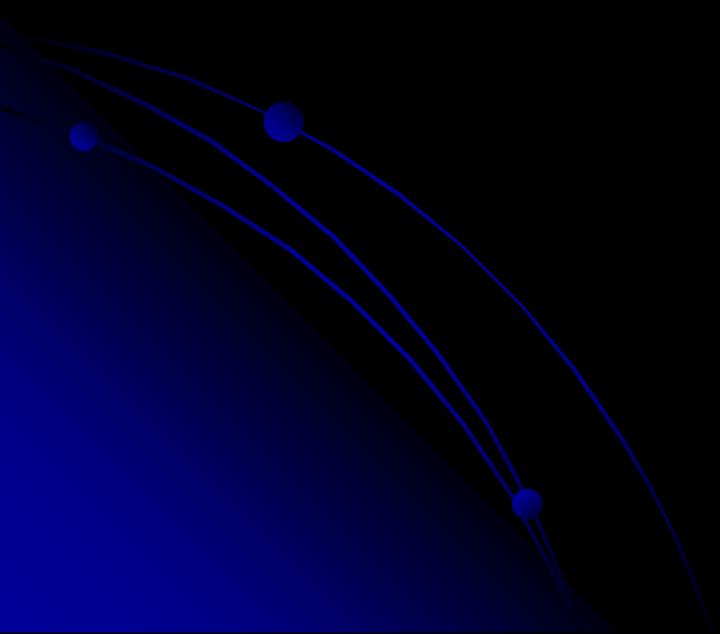
Josh cuts tobacco. He gets paid \$0.15 per stick. If Josh cut 1,800 sticks today, what is his gross pay?

$$1,800 \times \$0.15 = \$270$$

(See page 209)

Piecework Practice Problem

Marcie gathers golf balls at a miniature golf course. She gets \$0.15 per ball. Today, she gathered 182 balls. What's her gross pay?



Solution

$$182 \times \$0.15 = \$27.30$$