

Section 2—Financial Basics

Title of Lesson/Subject: *Computing Gross Pay*

Prepared by: Brenda Loney

Contact Information

E-mail address: brenda.loney@sendit.nodak.edu **Phone :** 701-456-0030

Time Allotment: 30-45 minutes

Grade Level or Target Audience: Grades 7-12

ND Standards Competencies:

3. The student demonstrates analytical and computational skills for personal and business applications.
By the end of Grade 12 or at exit, the student demonstrates the ability to:
 - a) apply basic accounting and financial concepts to business and personal applications.
 - b) use a variety of tools to record analyze, interpret, and communicate financial information.
5. The student demonstrates problem-solving and decision-making skills using appropriate resources.
By the end of Grade 12 or at exit, the student demonstrates the ability to:
 - a) solve problems with increased levels of independence.
 - b) communicate and interpret appropriate directions.
8. The student develops and uses consumer economic skills.
By the end of Grade 12 or at exit, the student demonstrates the ability to:
 - a) apply economic concepts as they relate to wants and needs.
 - b) manage money and credit
 - c) recognize value and its relationship to price.

Key Economic Concepts: Gross pay, based on hourly wage, overtime, annual salary

Brief Description: This lesson is intended to be used for instruction of gross pay: what it is and how it is figured, including actual computation of gross pay.

Learner Objectives:

- 1) Students will acquire information about Gross Pay by copying the notes, or reviewing the information with the instructor.
- 2) Students will compute Gross Pay, based on the given hourly pay, overtime, or annual salary.
- 3) Students will compare Gross Pay versus Net Pay, and discuss benefits, lifestyle choices, cost of living expenses, and what gross amounts are earned depending on career choice and location.

Introduction: Most people work because they want to earn money. Gross pay is the total pay before any deductions are subtracted. This is NOT the amount that you bring home in your paycheck – that is Net Pay – the amount that you get after taxes and other deductions are taken out! Gross pay might be figured from hourly wages or from an annual salary, and also may include pay for overtime (extra hours that a person has worked).

Materials Needed: Overhead to give notes or review information together, copies of Computing Gross Pay Worksheet, Key of Worksheet

Audio/Visual Equipment Needed: Overhead

Lesson Outline: Introduction, followed by Objectives, present information about Gross Pay, with use of notes. Hand out Worksheet, allow students to complete the Worksheet, followed by

evaluation and discussion of the results.

Resources: Notes and Worksheet

Application/Assignment: After discussion of notes on Gross Pay and examples, use Worksheet as assignment/Independent Practice

Evaluation Plan: Assess worksheets to check for understanding of Gross Pay. Discuss results with students. Ask students if that is the actual amount of money that they will bring home on their paychecks (Gross Pay versus Net Pay). Ask students if they feel they could live off of that amount (or less, after deductions). Discuss benefits (insurance, vacation, sick pay), lifestyle choices, cost of living expenses, and what amounts are earned depending on career choice and location.

* I would follow up with lessons on NET PAY and BUDGETING.

Computing Gross Pay

Gross Pay - total pay before any deductions are subtracted

Hourly Wage - amount earned for each hour worked
- regular rate of pay

Standard Work Day - 40 regular hours a week (8 hours a day, 5 days a week)

Overtime - time worked beyond the regular hours
- pay is 1 ½ times the regular rate of pay

Salary - amount of earnings for the year (annual)
- divided into equal amounts for each pay period
- round amounts to the nearest cent

There are several different types of **pay periods**:

monthly = 12

semi-monthly = 24

weekly = 52

bi-weekly = 26

EXAMPLES of Computing Gross Pay:

Hourly Wage: regular pay = \$6.50/hour regular hours worked = 40

$$\$6.50 \times 40 \text{ hours} = \$260.00$$

Overtime: regular pay = \$6.50/hour regular hours worked = 40 hours,
overtime hours worked = 5

Regular pay x 1.5 = overtime pay

$$\$6.50 \times 1.5 = \$9.75/\text{hour overtime pay}$$

$$\$6.50 \times 40 \text{ hours} = \$260.00$$

$$\$9.75 \times 5 \text{ hours} = \underline{48.75}$$

$$\text{Total gross pay} = \$308.75$$

} **add** regular pay
and overtime pay

Salary: Annual salary = \$24,000 biweekly pay period

$$\$24,000 / 26 \text{ pay periods} = \$923.08$$

* could be divided by 12, 24, 26, or 52, depending on type of pay period

Computing Gross Pay

Name _____

- 1) Regular hours = 40 Overtime hours = 8 Regular rate of pay = \$5.75/hour

- 2) Regular hours = 40 Overtime hours = 4 Regular rate of pay = \$5.80/hour

- 3) Hours worked = 46 Regular rate of pay = \$5.82/hour

- 4) Hours worked = 51 Regular rate of pay = \$5.35/hour

- 5) Regular salary = \$984/month Overtime pay = \$8.39/hour Overtime hours = 14

- 6) Regular salary = \$1,100 per month Overtime pay = \$9.38/hour Overtime hours = 20

- 7) Annual pay = \$22,200 Monthly pay period

- 8) Annual pay = \$14,900 Weekly pay period

- 9) Annual pay = \$32,600 Biweekly pay period

- 10) Annual pay = \$36,500 Semi-monthly pay period

Computing Gross Pay

Name KEY

1) Regular hours = 40 Overtime hours = 8 Regular rate of pay = \$5.75/hour

$$\begin{array}{r} 40 \times 5.75 \\ 1.5 \times 5.75 \times 8 \\ \hline \end{array} = \begin{array}{r} \$230.00 \\ 69.00 \\ \hline \$299.00 \end{array}$$

2) Regular hours = 40 Overtime hours = 4 Regular rate of pay = \$5.80/hour

$$\begin{array}{r} 40 \times 5.80 \\ 1.5 \times 5.80 \times 4 \\ \hline \end{array} = \begin{array}{r} \$232.00 \\ 34.80 \\ \hline \$266.80 \end{array}$$

3) Hours worked = 46 Regular rate of pay = \$5.82/hour

$$\begin{array}{r} 40 \times 5.82 \\ 1.5 \times 5.82 \times 6 \\ \hline \end{array} = \begin{array}{r} \$232.80 \\ 52.38 \\ \hline \$285.18 \end{array}$$

4) Hours worked = 51 Regular rate of pay = \$5.35/hour

$$\begin{array}{r} 40 \times 5.35 \\ 1.5 \times 5.35 \times 11 \\ \hline \end{array} = \begin{array}{r} \$214.00 \\ 88.28 \\ \hline \$302.28 \end{array}$$

5) Regular salary = \$984/month Overtime pay = \$8.39/hour Overtime hours = 14

$$\begin{array}{r} \$984.00 \\ \$8.39 \times 14 \\ \hline \end{array} = \begin{array}{r} \\ 117.46 \\ \hline \$1,101.46 \end{array}$$

6) Regular salary = \$1,100 per month Overtime pay = \$9.38/hour Overtime hours = 20

$$\begin{array}{r} \$1,100.00 \\ 9.38 \times 20 \\ \hline \end{array} = \begin{array}{r} \\ 187.60 \\ \hline \$1,287.60 \end{array}$$

7) Annual pay = \$22,200 Monthly pay period

$$\$22,000 / 12 = \$1850$$

8) Annual pay = \$14,900 Weekly pay period

$$\$14,900 / 52 = \$286.54$$

9) Annual pay = \$32,600 Biweekly pay period

$$\$32,600 / 26 = \$1,253.85$$

10) Annual pay = \$36,500 Semi-monthly pay period

$$\$36,500 / 24 = \$1,520.83$$