 Province of the

EASTERN CAPE

EDUCATION

**DIRECTORATE SENIOR CURRICULUM MANAGEMENT (SEN-FET)**

**HOME SCHOOLING SELF-STUDY QUESTIONS AND ANSWER BOOK**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **SUBJECT** | **ACCOUNTING** | **GRADE** | 10 | **DATE** | 28 April-04 May 2020 |
| **TOPIC** | **Salaries and Wages Journal**  **(Concepts and calculations)** | **Term 2** | | | |
| **TIME ALLOCATION** | **One week** | **TIPS TO KEEP HEALTHY**  1. **WASH YOUR HANDS** thoroughly with soap and water for at least 20 seconds. Alternatively, use hand sanitizer with an alcohol content of at least 60%.  2. **PRACTICE SOCIAL DISTANCING** – keep a distance of 1m away from other people.  3. **PRACTISE GOOD RESPIRATORY HYGIENE**: cough or sneeze into your elbow or tissue and dispose of the tissue immediately after use.  4. **TRY NOT TO TOUCH YOUR FACE.** The virus can be transferred from your hands to your nose, mouth and eyes. It can then enter your body and make you sick.  5. **STAY AT HOME.** | | | |
| **INSTRUCTIONS** | **See Required Per Activity** |

**SALARIES AND WAGES**

What is a salary?

Definition and meaning

**A salary** is the regular payment by an employer to an employee for employment that is expressed either monthly or annually, but is paid most commonly on a monthly basis, especially to white collar workers, managers, directors and professionals.

A salary employee or salaried employee is paid a fixed amount of money each month. Their earnings are typically supplemented with paid vacations and public holidays, and other fringe benefits.

Salaries are usually determined by comparing what other people in similar positions are paid in the same field and/or industry. Most large employers have levels of pay rates and salary ranges which are linked to hierarchy and time served by employees.

A salary does not change on a weekly or monthly basis. Salaries are calculated annually, divided by twelve and paid out each month. In some countries people are paid double in December or during their birthday months, in such cases their annual salary is divided by thirteen, with two months’ pay included in their December’s and birthday month paycheque

**Wages,** on the other hand, are calculated on the number of hours worked that week, fortnight or month. Employers pay wages either weekly, fortnightly or monthly, and are linked to how many hours the employee worked. This is not the case with salaries – a salaried employee’s monthly income is always the same.

Production-line employees and other **blue-collar workers** are usually paid overtime – their ‘wage’ varies according to how many hours they put in that week or month.

**Pros and cons of a salary vs. wage (for debate in the classroom)**

The main disadvantage of being paid a salary is that in most cases you are not able to earn overtime. This means that you often have to work extra hours for no extra pay.

It is generally harder for salaried personnel to separate home from work life than for workers on wages. Hourly employees typically find it easier to switch off completely from work-mode as soon as their working day or shift ends.

The main advantage of receiving a salary is being able to plan ahead. You know exactly how much each paycheque will be for – your medium-term future is predictable. This makes it easier to decide how much you should borrow, what type of vacation you can afford for next year, what type of car to buy and when and how to purchase it, etc.

**ADVICE**

* If you value the predictability and security of a regular paycheque, you should go for a salary position.
* If maintaining a clear separation between work and home life is a top priority, and you dislike the idea of having to work overtime with no extra pay, you would probably prefer an hourly position, i.e. one where you are paid a wage.

**If you will qualify as an accountant, all positions offered to you will be salaried.**

**ADVERTISEMENT IN THE CAREER SECTION OF A NEWSPAPER**

Job advertisement

|  |
| --- |
| Receptionist / Administrator  BCM Manufacturers   * **R220 000 package p.a.** * **East London** * **Manufacturing**   Well established small company in the manufacturing industry is looking for the services of a proactive Receptionist/Administrator to work in their close knit team in East London. With a breakdown of 75% admin/sales support and 25% reception and secretarial focus, you will utilise your great project management and organisational skills. The Sales support aspect of your role will encompass the input of technical and detailed orders for the production area. Liaison with clients, general office administration, reception duties and support where required will keep you challenged and busy. If you are a proactive, professionally presented person & want to be part of a growing organisation, this could be your next long-term role.  Please email your confidential CV to tando.maila@bcmmanufacturers.org.za or telephone 043 64 4102 for more information. |

Study the job advertisement above and answer the questions that follow.

1. What kind of job is advertised? **Receptionist/ Administrator**
2. How much salary is offered? **R220 000**
3. What does “p.a. “mean? **Per Annum**
4. Will be the person employed take home the amount of R220 000? Explain. **No. There are compulsory deductions to be made to the gross amount.**

**CONCEPTS**

|  |  |
| --- | --- |
| **Employer** | A legal entity that controls and directs a worker under an express or implied contract of employment and pays (or is obligated to pay) him or her salary or wages in compensation. |
| **Employee** | An individual who works part-time or full-time under a contract of employment, whether oral or written, express or implied, and has recognized rights and duties. Also called worker. |
| **Employment contract** | An agreement entered into between an employer and an employee at the time the employee is hired that outlines the exact nature of their business relationship, specifically what compensation the employee will receive in exchange for specific work performed. The following are usually included:   * Personal information of employee (name, ID number, home address) * Commencement date * Job title * Job description * Working hours * Annual leave and sick leave * Salary scale * Other allowances * Contributions (pension fund, medical aid , etc) * Signature of employer and employee |
| **Remuneration** | Remuneration means any amount of income which is paid or is payable to any person by way of any salary, leave pay, wage, overtime pay, bonus, gratuity, commission, fee, emolument, pension, superannuation allowance, retiring allowance or stipend, whether in cash or otherwise and whether or not in respect of services rendered (According to South African Revenue Services) |
| **Gross pay** | Is the total amount of money an employee receives before taxes and deductions are taken out. For example, when an employer pays you an annual salary of R400 000 per year, this means you have earned R400000 in gross pay. |
| **Net pay** | Net pay is pay after deductions. It’s what’s left over after taxes, medical aid, provident fund, and similar deductions have been accounted for. |
| **Records to be kept by employer** | Detailed records of each employee must be kept by the employer.  It must include   * Records of work done (attendance registers, clock cards) * Records of the calculation of gross and net pay * Amount of tax deducted * Employment contract |
| **Employer has to register with the following institutions** | South African Revenue Service (SARS) for Pay As You Earn (PAYE) and Standard Income Tax on Employees (SITE), UIF  Skills Development Levy (in terms of *Skills Development Act* 97 of 1998)  Department of Labour – Occupational Injuries  Regional Services Council |
| **Salary advice** | A salary slip, otherwise known as a payslip, is given to employees to inform them of their monthly pay and allowances. This is an important legal document that every employee is entitled to receive from their respective employers to serve as proof and a general statement of monthly earnings and deductions (if any).  A salary slip may also be used for other purposes, such as a requirement for a bank loan and mortgage to show that one is financially stable enough to pay it back. The credit limit granted to an applicant by a financial institution would also reflect what has been stated on the individual’s salary slip. |
| **Deductions** | Employers are required to register for and pay Pay As You Earn (PAYE) and Unemployment Insurance Fund (UIF) contributions for any employees to whom remuneration is paid or owed unless the employee is exempted from one or both of these. Some employers are also required to pay Skills Development Levy (SDL) contributions for their employees. Employees also contribute certain portion towards these costs and these portions will be deducted from a salary or wage of an employee |
| **Gross salary** | It can be defined as the amount of money paid to an employee before taxes and deductions are discounted. |
| **Net salary** | Net salary, or more commonly referred to as take-home salary, is the income that an employee actually takes home after tax, provident fund and other such deductions are subtracted from it. |
| **Gross wage** | Is the total amount an employee entitled to before withholding of taxes and other deductions. |
| **Net wage** | Is the amount the employee receives once gross wages have been reduced by deductions and taxes. |
| **Salary scales** | A [scale](https://www.ldoceonline.com/dictionary/scale) showing the [rates](https://www.ldoceonline.com/dictionary/rate) of [pay](https://www.ldoceonline.com/dictionary/pay) for [employees](https://www.ldoceonline.com/dictionary/employee) working at each [level](https://www.ldoceonline.com/dictionary/level) of an [organization](https://www.ldoceonline.com/dictionary/organization). It also shows the [increases](https://www.ldoceonline.com/dictionary/increase) in pay an employee gets when they [spend](https://www.ldoceonline.com/dictionary/spend) a [certain](https://www.ldoceonline.com/dictionary/certain) [length](https://www.ldoceonline.com/dictionary/length) of time at a particular level |
| **Medical aid Fund contributions** | The Medical Aid Fund serves the purpose to provide medical assistance to the employee and his dependents for **medical expenses**. The employee’s contribution is calculated according to the **number of dependents**. It is payable to the Medical Aid Fund. Most employers also contribute towards this fund |
| **Unemployment Insurance Fund (UIF)** | The Unemployment Insurance Fund (UIF) gives short-term relief to workers when they become unemployed or are unable to work because of maternity, adoption leave, or illness. It also provides relief to the dependents of a deceased contributor. The unemployment insurance system in South Africa is governed by the following legislation:   * + Unemployment Insurance Act, 2001 (the UI Act)   + Unemployment Insurance Contributions Act, 2002 (the UIC Act)   The following processes are to be adhered to:   * An employee and his/her employer must each contribute one percent of the employee’s income to the UIF. * An employer is responsible to deduct these contributions monthly. If an employer does not deduct these contributions s/he will be held personally liable to pay it over to the UIF. |
| **Pension Fund** | A pension fund is normally established by an employer for the investment of employees' retirement fund savings, contributed by the employer and employees. Each private pension fund is governed by the pension funds act and the rules of the fund.  The Government Employees Pension Fund (GEPF) is Africa’s largest pension fund. |
| **Trade Union** | Is also called **labour union**, it is an association of workers in a particular trade, industry, or company created for the purpose of securing improvements in pay, benefits, working conditions, or social and political status through [collective bargaining](https://www.britannica.com/topic/collective-bargaining).  Bottom of Form |

**WORKED EXAMPLE**

**Example 1 - Salary Scale**

Salary scale of T. Mpotulwana

Notch: R500 000 X R5 000 – R520 000 X R6 010 – R538 030

**EXPLANATION OF THE NOTCH OF T. MPOTULWANA**

Year 1 start with R500 000

Year 2 + R5 000 = R505 000

Year 3 + R5 000 = R510 000 R5 000 increase p.a. until R520 000 p.a. is reached

Year 4 + R5 000 = R515 000

Year 5 + R5 000 = R 520 000

Year 6 + R6 010 = R526 010

Year 7 + R6 010 = R532 020 R6 010 increase p.a. until R538 030 p.a. is reached

Year 8 + R6 010 = R538 030

**WORKSHEET 1**

**ACTIVITY 1**

N.B. Hlanganyaner is employed by Burkely East Traders as from 1 January 2016. The employee is not entitled to the 13th cheque.

The following annual scale was agreed upon:

200 000 x 7 000 – 214 000 x 8 000 – 230 000

**REQUIRED**

Complete the following table relating to the salary scale of N.B. Hlanganyaner

**ANSWER BOOK**

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Annual increase** | **Annual salary** | **Monthly salary** |
| **2016** |  |  |  |
| **2017** |  |  |  |
| **2018** |  |  |  |
| **2019** |  |  |  |
| **2020** |  |  |  |

**ACTIVITY 2**

N.S. Makonzie the appointed manager of the Strategy Education Trust as from 1 March 2015 on the following salary scale given below:

R400 000 X R3 500 – R410 500 X R5 000 – R415 500

**REQUIRED:**

1. Calculate the annual salary that N.S. Makonzie can expect for the year

commencing 1 March 2017.

2. When will she receive her maximum salary? Provide a calculation to support

your answer.

**ANSWER**

|  |  |
| --- | --- |
| 1 |  |
| 2 |  |

**INCOME TAX CALCULATIONS BASED OF TAX SCALES**

**RATES OF TAX FOR INDIVIDUALS**

**2021 tax year or year of assessment (1 March 2020 - 28 February 2021)**

|  |  |
| --- | --- |
| **​Taxable income (R)** | **​Rates of tax (R)** |
| 1 – 205 900 | 18% of taxable income |
| 205 901 – 321 600 | 37 062 + 26% of taxable income above 205 900 |
| 321 601 – 445 100 | 67 144 + 31% of taxable income above 321 600 |
| 445 101 – 584 200 | 105 429 + 36% of taxable income above 445 100 |
| 584 201 – 744 800 | 155 505 + 39% of taxable income above 584 200 |
| 744 801 – 1 577 300 | 218 139 + 41% of taxable income above 744 800 |
| 1 577 301 and above | 559 464 + 45% of taxable income above 1 577 300 |

  (**Source ) sars.gov.za**

**WORKED EXAMPLE**

**REQUIRED:**

Calculate the income tax to be deducted monthly on the following annual salaries.

**Note: Tax rates below are given for calculation purposes.**

|  |  |  |  |
| --- | --- | --- | --- |
| **No.** | **Employee** | **Taxable income and rates of tax** | **Monthly PAYE deductions** |
| E.g. | N. Cekiso | R200 000 at 18% of gross | R36 000 p.a. /12 = R3 000 p.m. |
| 1. | S. Fader | R205 000 at 25% of gross salary |  |
| 2. | C. Darryz | R280 000 at 35% of gross salary |  |
| 3. | Z. Lolow | R180 000 at 15% of gross salary |  |

**WORKSHEET 2**

**Activity 3**

Use the current income tax scales to calculate the income tax to be deducted on the monthly salaries of the employees in the answer sheet below.

**INFORMATION**

**INCOME TAX SCALES**

|  |  |
| --- | --- |
| **​Taxable income (R)** | **​Rates of tax (R)** |
| 1 – 205 900 | 18% of taxable income |
| 205 901 – 321 600 | 37 062 + 26% of taxable income above 205 900 |
| 321 601 – 445 100 | 67 144 + 31% of taxable income above 321 600 |
| 445 101 – 584 200 | 105 429 + 36% of taxable income above 445 100 |
| 584 201 – 744 800 | 155 505 + 39% of taxable income above 584 200 |
| 744 801 – 1 577 300 | 218 139 + 41% of taxable income above 744 800 |
| 1 577 301 and above | 559 464 + 45% of taxable income above 1 577 300 |

**ANSWER SHEET**

|  |  |  |
| --- | --- | --- |
| **Employee** | **Annual Salaries** | **Annual PAYE deductions** |
| **EXAMPLE** | **R202 000** | **R202 000 x 18% = R36 360** |
| M. Tyally | R450 000 |  |
| T. Knowbee | R420 000 |  |
| N. Bikchar | R510 000 |  |
| P. Govndeer | R710 000 |  |

**Medical aid Fund**

**WORKED EXAMPLE**

Calculate medical aid fund deductions for the following employees.

**NOTE:** Employees contribute 8% of their gross monthly salary towards medical aid fund and the **employer contributes R1,50 cents for every R1** contributed

|  |  |  |  |
| --- | --- | --- | --- |
| **Employee** | **Monthly Gross Salary** | **Contribution by the employee** | **Contribution by the employer** |
| **Example** | **R22 500** | **R1 800 {22 500 X8%}** | **R2 700 {1 800 x R1.50÷R1)** |
| V. Norderder | R31 000 | ? | **?** |
| D. Moeshwe | R37 000 | ? | **?** |

**SUGGESTED SOLUTION**

|  |  |  |  |
| --- | --- | --- | --- |
| **Employee** | **Monthly Gross Salary** | **Contribution by the employee** | **Contribution by the employer** |
| **Example** | **R22 500** | **R1 800 {22 500 x8%}** | **R2 700 {1 800 x R1.50÷R1}** |
| V. Norderder | R31 000 | R2 480 {31 000 x8%} | **R3 720 {2 480 x R1.50/R1}** |
| D. Moeshwe | R37 000 | R2 960 {37 000x8%} | **R4 440 {2 960 x R1.50/R1}** |

**WORKSHEET 3**

Activity 4

The information given below relates to the books of FET Curriculum Traders. All employees are the members of Government Employees Medical Scheme (GEMS). All employees are contributing 10% of their monthly gross salaries towards medical aid and employer contributes 80 cents for every R1 contributed by employees.

**REQUIRED:**

Calculate the missing amounts in the given information

**INFORMATION AND ANSWER BOOK**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Employee** | **Monthly Gross Salary** | **Monthly contribution by the employee** | **Monthly contribution by the employer** | **Total annual amount paid/payable to GEMS** |
| M. Nonchasa | **R40 000** |  |  |  |
| Z. Synder | R45 000 |  |  |  |
| N. Fumber | R48 000 |  |  |  |
| T. Rentson | R36 000 |  |  |  |

**WORKSHEET 4**

**Activity 5**

**REQUIRED**

Calculate total amount paid/payable to UIF. Note:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Employee** | **Monthly salaries** | **UIF % contribution** | **Monthly contribution by employee** | **Monthly contribution by employer** |
| A. Bam | R20 500 |  |  |  |
| N. Deleki | R18 000 |  |  |  |

**ANSWER BOOK**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Employee** | **Monthly salaries** | **UIF % contribution** | **Monthly contribution by employee** | **Monthly contribution by employer** |
| A. Bam | R20 500 |  |  |  |
| N. Deleki | R18 000 |  |  |  |

**ACTIVITY 6**

**REQUIRED:**

Calculate pension fund deductions for the following employees:

|  |  |  |  |
| --- | --- | --- | --- |
| **Employee** | **Notch** | **Deduction %** | **Monthly pension fund contribution by employee** |
| N. Botha | R320 000 | 6% of gross salary |  |
| L. Booi | R500 000 | 9% of gross salary |  |

**ANSWER BOOK**

|  |  |  |  |
| --- | --- | --- | --- |
| **Employee** | **Notch** | **Deduction %** | **Monthly pension fund contribution by employee** |
| N. Botha | R320 000 | 6% of gross salary |  |
| L. Booi | R500 000 | 9% of gross salary |  |