

What You Will Learn

- Explain how to calculate commission.
- Describe how to calculate earnings for an independent contractor.
- Explain how to calculate earned and unearned income.

Convert percentages to decimals:

$$25\% = \underline{25} = .25$$

$$75\% = \underline{75} = .75$$

$$8\% = \underline{8} = .08$$

$$110\% = \underline{110} = 1.10 = 1.1$$

Commission

pay is based on your production

Commission pay is based on your production

Straight commission only earn ~~money~~ through your commission **money**

Blended salary you earn money both through commission and hourly or salary

Annual gross pay = annual salary + commission

Jonathan is a sales representative for a book company. He earns a base annual salary of \$35,000 plus a 3% commission of all sales that he makes. This year, Jonathan is on target to make about \$375,000 in sales. Calculate Jonathan's projected annual gross pay.

of = multiply

\$ 35,000	→ salary	3% = 3 = .03
\$ 11,250	→ commission	375,000 · .03
		11,250

\$ 46,250

Independent Contractor works separate from the
Freelancer

Independent Contractor
Freelancer
Consultant

works separate from the employer (without protections)

Entrepreneur

not an employee - could be independent contractor, or business owner

Contract - agreements between 2 or more parties states what each party's responsibilities are

Oral Contract still binding

Contract earnings = hourly rate x number of hours

Brian is an independent contractor who develops software. He has a contract with a software company to work at a rate of \$37 per hour. Brian worked 164 hours during May. Calculate his contract earnings for that month.

$$\$37 \cdot 164 = \$6068.00$$

Income

Compensation

Income

Compensation

Earned income

*income you worked for
hourly wages, salary*

Unearned income

*bonuses, rental income
anything you did not earn for working*

Unearned income = total income - earned income

Rosie is a graphic designer whose annual salary is \$48,140. She also owns rental properties that generate income annually. Rosie's total income last year was \$63,740. What was Rosie's unearned income for the year?

$$\begin{array}{r} \overset{5}{63,740} \\ - 48,140 \\ \hline \$ 15,600 \end{array} \quad \begin{array}{l} - \text{total income} \\ - \text{earned income} \\ - \text{unearned income} \end{array}$$

Total income = earned income + unearned income

Mikhail works as a waiter in a restaurant while attending college. Last year, his annual salary was \$6,708. He also earned an additional \$11,532 in tips. Mikhail also received a scholarship of \$2,500 to cover room and board. What was Mikhail's total income for last year?

$$\begin{array}{r} 6,708 \\ + 11,532 \\ + 2,500 \\ \hline 20,740 \end{array}$$
