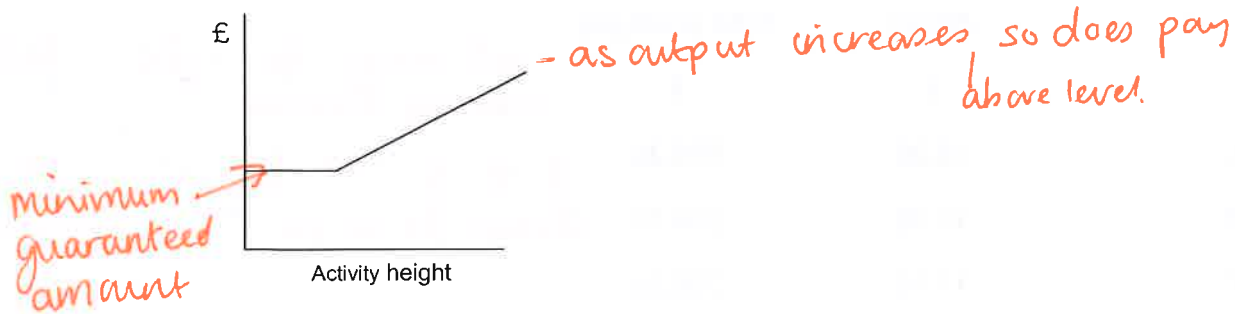


Tutorial Questions

- 1 Given below is a graph of a labour cost:



What type of labour cost is this?

- A A straight piece rate system.
- B A straight time rate system.
- C A differential piece rate system.
- ☒ D A piece rate scheme with a minimum guaranteed amount.

- 2 An employee is paid £8.40 per hour for all hours worked up to a total of 38 each week. For any overtime hours he is paid time and a third.

In a week where he works for 45 hours what is his total gross pay and his overtime premium?

	Gross pay	Overtime premium	
	£	£	
☒ A	397.60	19.60	$45 \times 8.40 = 378$ $7 \times 8.40/3 = 19.60$ 397.60
B	397.60	78.40	
C	504.00	19.60	
D	504.00	78.40	

- 3 A business runs a bonus scheme whereby each employee earns a bonus based upon the following formula:

$$\text{Bonus\%} = \times \frac{\text{Excess units}}{\text{Expected units}}$$

This bonus percentage is then applied to the basic pay (total hours at basic rate) for the week in order to calculate the bonus.

The expected output level for each employee is 12 units per hour. During week 27 one employee works for 45 hours for which she is paid a basic rate of £7.60 per hour plus overtime

at the rate of time and a half for any hours over 40 hours a week. In this period she produced 567 units.

What is the employee's bonus and total gross pay for the week?

	Bonus	Total gross pay	
	£	£	
A	15.20	376.20	45 hours @ 7.60 = 342
B	15.20	378.10	Overtime Premium
C	17.10	376.20	5 hrs x 7.60 / 2 = 19
D	17.10	378.10	Bonus 5% x 342 = 17.10
			<u>378.10</u>

Calculate expected units Do first.
45 x 12 = 540.
hours worked ↑ expected per hour (units)

Units prod 567 - 540 = 27
540 Expected units

- 4 A business runs a bonus scheme whereby each employee earns a bonus based upon the following formula:

$$\text{Bonus\%} = \frac{\text{Excess units}}{\text{Expected units}}$$

This bonus percentage is then applied to the basic pay (total hours at basic rate) for the week in order to calculate the bonus.

The expected output level for each employee is 15 units per hour. During week 40 an employee works for 50 hours for which she is paid a basic rate of £8.00 per hour plus overtime at the rate of time and a half for any hours over 45 hours a week. In this period they produced 800 units.

What is the employee's bonus and total gross pay for the week?

	Bonus	Total gross pay	
	£	£	
A	20.00	376.20	50 hr x 8.00 = 400
B	20.00	448.00	Overtime premium 5 x 8/2 = 20
C	17.10	448.00	Bonus 7% x 400 = 28
D	17.10	378.10	<u>448</u>

Calculate expected units Do first.
50 x 15 = 750.
hours worked ↑ expected per hour (units).

units Prod 800 - 750 = 50
750 expected units

800 - 750 = 50
750 = 6.67%