

# CALCULATING WAGES & INCOME



## Personal Finance: Tips and Equivalent Pay

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Here's a Tip:  
Work Hard!



# Lesson Objective

Students will learn how to calculate tips and equivalent pay.



# Equivalent Hourly Rate

Not all jobs pay an hourly rate. Some pay a flat rate for the job done.

For example: John is paid \$30 per yard mowed no matter how long it takes him to do the job.

Equivalent Hourly Rate (EHR) is what his hourly rate would have been if he was paid by the hour.

For example: If it takes Jon 1 hour to mow the yard, then his EHR is \$30.

$$\$30 \div 1 \text{ hour} = \$30 \text{ per hour EHR}$$



# Equivalent Hourly Rate

The equation for calculating Equivalent Hourly Rate is:

$$\text{Rate Paid} \div \text{Time Worked} = \text{EHR}$$



# Equivalent Hourly Rate

But what if it takes John 2 hours to mow the lawn?



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$$\text{\$30} \div 2 \text{ hours} = \text{\$15 per hour EHR}$$



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And if he can mow the lawn in 30 minutes?



# Equivalent Hourly Rate

But what if it takes John 2 hours to mow the lawn?

$$\$30 \div 2 \text{ hours} = \$15 \text{ per hour EHR}$$

And if he can mow the lawn in 30 minutes?

$$\$30 \div 0.5 \text{ hours} = \$60 \text{ EHR}$$





# Tips

Tips are an additional amount of money, paid to one who gives service, in gratitude for the job they performed.

There are many jobs where tips are acceptable and even expected. Some examples include restaurant waiters/waitresses, hotel baggage clerks, valet attendants, and newspaper deliverers.



# Calculating Tips

What is a good tip amount?

That's hard to answer since there are so many different opinions, and different services are generally tipped at different rates.

In general a waiter/waitress is tipped around 15%. More if their service was great; less if it was lousy.

Check out this article for a great collection of tipping hints:  
<http://www.getrichslowly.org/blog/2006/10/12/basic-tips-on-tipping-how-much-and-to-whom/>



# Tips

Sara is eating dinner. Her meal cost her \$18.35. Her waiter was friendly and did a good job. She wants to tip him 15% of her bill. How much will she tip him?

- Remember that 15% is also written as 0.15.



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\$	18.35	Meal Cost
	x .15	Tip %
<hr/>		
\$	2.75	Total Tip



# Practice

Greg is eating lunch. His meal cost him \$11.25. His waiter did an excellent job. He wants to tip him 20% of his bill. How much will he tip him?

- Remember that 20% is also written as 0.20.



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<hr/>		
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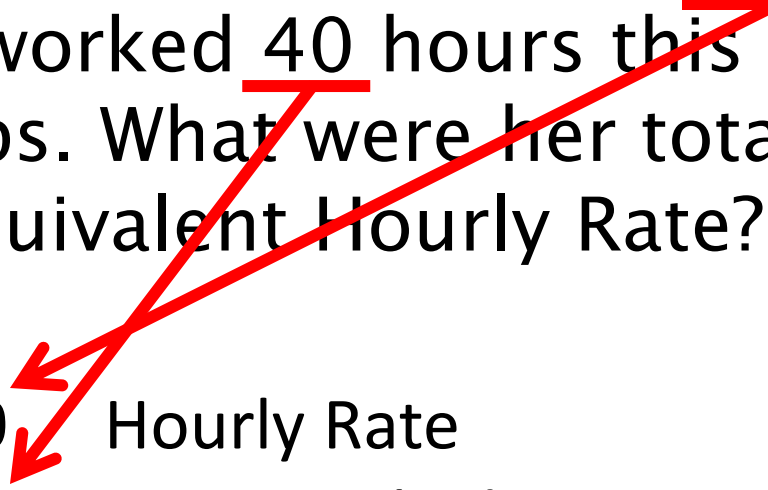


# Tips

Jane is a waitress. She earns \$3.50 per hour plus tips. She worked 40 hours this week and earned \$153 in tips. What were her total hours? What was her Equivalent Hourly Rate?

Step 1

\$	3.50	Hourly Rate
	x 40	Hours Worked
<hr/>		
\$	140.00	Weekly Pay





# Tips

Jane is a waitress. She earns \$3.50 per hour plus tips. She worked 40 hours this week and earned \$153 in tips. What were her total hours? What was her Equivalent Hourly Rate?

<u>Step 1</u>			<u>Step 2</u>		
\$	3.50	Hourly Rate	\$	140.00	Weekly Pay
	x 40	Hours Worked		+ 153.00	Tips Earned
<hr/>			<hr/>		
\$	<u>140.00</u>	Weekly Pay	\$	293.00	Total Pay





# Tips

Jane is a waitress. She earns \$3.50 per hour plus tips. She worked 40 hours this week and earned \$153 in tips. What were her total hours? What was her Equivalent Hourly Rate?

<u>Step 1</u>			<u>Step 2</u>		
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	x 40	Hours Worked		+ 153.00	Tips Earned
<hr/>			<hr/>		
\$	140.00	Weekly Pay	\$	293.00	Total Pay
		<u>Step 3</u>			
		\$ 7.33	EHR		
		<hr/>			
	40	\$ 293.00			



# Practice

Ashley is a waitress. She earns \$4.00 per hour plus tips. She worked 30 hours this week and earned \$96 in tips. What were her total hours? What was her Equivalent Hourly Rate?



# Practice

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Step 1

$$\begin{array}{r}
 \$ \quad 4.00 \quad \text{Hourly Rate} \\
 \times \quad 30 \quad \text{Hours Worked} \\
 \hline
 \$ \quad 120.00 \quad \text{Weekly Pay}
 \end{array}$$

Step 2

$$\begin{array}{r}
 \$ \quad 120.00 \quad \text{Weekly Pay} \\
 + \quad 96.00 \quad \text{Tips Earned} \\
 \hline
 \$ \quad \mathbf{216.00} \quad \text{Total Pay}
 \end{array}$$

Step 3

$$\begin{array}{r}
 \phantom{30} \quad \$ \quad \mathbf{7.20} \quad \text{EHR} \\
 \hline
 30 \mid \$ \quad 216.00
 \end{array}$$



# Review:

1. What are tips?
2. What is Equivalent Hourly Rate (EHR)?
3. What is the equation Equivalent Hourly Rate (EHR)?



# Review:

1. What are tips?

An additional amount of money, paid to one who gives service, in gratitude for the job they performed.

2. What is Equivalent Hourly Rate (EHR)?

What the hourly rate would have been if the job was paid by the hour.

3. What is the equation Equivalent Hourly Rate (EHR)?

$\text{Total Paid} \div \text{Time Worked} = \text{EHR}$