Name

1 Glossary

Term	Definition
Employee	A person who works for a business. Someone who is employed by an employer.
Employer	A person or an institution that provides employment to others, usually the owners of a business.
Gross salary	Basic salary per month, prior to deductions.
Gross wage	Basic wage plus overtime, prior to deductions.
Medical aid fund contributions	Employer's contribution to medical aid fund.
Net salary	Gross salary – deductions = net salary.
Net wage	Gross wage – deductions = net wage.
Ordinary time	System according to which employees are paid a set fee per hour. Usually 40 hours per week.
Overtime remuneration	Remuneration paid to workers who work longer hours than ordinary time – usually at a set fee.
PAYE	Pay-as-you-earn system.
Pension fund contribution	Employee's contribution to pension fund.
Salary	An employee receives a basic monthly salary.
Salary advice	Slip given to each employee that provides information about gross salary, deductions and net salary.
SDL	Skills Development Levy.
SETA	Sector Education and Training Authority.
SITE	Standard Income Tax on Employees.
Unemployment Insurance fund contribution	Employer's contribution to Unemployment Insurance fund.
Wage envelopes	Envelopes containing cash that indicate the wages to be paid to workers. On the envelope information is provided as to how the amount was calculated.
Wages	Workers receive a basic wage on a weekly basis.

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2 Salaries

2.1 Introduction

Up to now you have studied businesses that only have one employee who receives a salary at the end of the month. Most businesses have more than one employee and at the end of the month a Salary Journal must be prepared – this journal indicates the amount each employee will receive. It also happens that some employees work part-time and receive their wages on a weekly basis – a Wages Journal will be set up.

An employer is a person who provides employment to others and an employee is a person who works for a business.

2.2 Salaries

An employee who receives a salary is usually a permanent employee and receives a salary at the end of the month. When salaried people are employed, the employer and employee agree on the annual salary and the amount is divided by 12 to determine the monthly salary. An employee can also receive a thirteenth cheque or bonus. A thirteenth cheque is equivalent to one month's salary. The employer determines the bonus and it is usually calculated at a percentage. A salaried employee is appointed at a certain notch/scale.

Example:
R. Smit was employed on 1 January 2005. What does R. Smit receive annually and per month before deductions? The salary scale is as follows:

96 000 X 6 000 – 108 000 X 9 000 – 126 000

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Year 1: R96 000 ÷ 12 = R8 000 monthly

Year 2: R96 000 + R6 000 = R102 000 ÷ 12 = R8 500

Year 3: R102 000 + R6 000 = R108 000 ÷ 12 = R9 000

Year 4: R108 000 + R9 000 = R117 000 ÷ 12 = R9 750

Year 5: R117 000 + R9 000 = R126 000 ÷ 12 = R10 500

Activity 1
Showstar Traders employed M. Botha on 1 January 2002. The following annual scale was agreed upon: 180 000 X 12 000 – 204 000 X 18 000 – 240 000

Questions

1.1 Complete the following table:

Year	Annual increase	Annual salary	Monthly salary
2002			
2003			
2004			
2005			
2006			

1.2 If he should receive a bonus of 60% of his monthly salary on 30 June 2004, what will his salary, prior to deductions, be on 30 June 2004?

1.3 If he should receive a thirteenth cheque on 31 December 2006 equal to his monthly salary, what will his salary, prior to deductions, be on 31 December 2006?

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