

**CLASS: J SS 3**

**SUBJECT: BUSINESS STUDIES**

**WEEK: 8**

**TOPIC: THE WAGES AND SALARIES OFFICE**

Meaning of Wages and Salaries:

1. Wage is the money paid to skilled or artesian worker weekly after his/her work while salary is that money paid to a white collar worker monthly after his/her work.

Wages are payments made to workers based on work done or time employed. Wages based on work done are determined by what is called **piece rate**. For example, in a factory, a worker may be paid **#10** per unit of the product produced. At the end of the month, if he/she has produced 500 units, his gross wage for the month will be **#10 x 500 = #5,000**. The purpose of **piece-rate wage** is to induce the worker to increase output. Wages based on time employed are determined on **time rate**. The worker is paid at, a given rate per hour, or per day. Suppose his/her wage rate is **#25** per day, and at the end of the month he/she has worked for 30 days, his gross wage will be **#25 x 30 = #750**. Wages are calculated on time rate basis, where it is not possible to determine output in quantities, or the quality of output will depend on the amount of time spent on production.

In every organization, the preparation of salaries and wages of employees is the responsibility of someone or group of persons who are often collectively found in the wages department or salaries section of an accounts department. The wages department is also concerned with keeping good accounting records of all the salaries earned by the staff in the organization over the years.

**Preparation of a Voucher:** A voucher is a mechanism, document or receipt showing payment of money or amount set aside for project or venture. Voucher is used by government and private organizations to pay or refund money for work that is done by a worker. If a worker spends money for things such as transportation, errand for the organization purpose or he/her salary, voucher is raised in the account department to settle the debt or pay the worker salary.

**Voucher contains the following:**

1. The date the claim was made
2. The sub-head (the account name or number under which the money is set aside for such claims);

3. The name of the claimant
4. Reason for the claim
5. Signature of the claimant or authorizing manager or head.

Gross profit or salary is the total amount of money paid or received by a worker without any deduction of anything while net profit or salary is the balance of money after deductions of expenses made. For example: if a man earns **#1,200,000.00** per year and pays **#60,000** as tax per year and also pays **#200** monthly as union dues and his/her employer deduct **#6,000** and **#2000** respectively for car and furniture loan monthly, his net pay will be calculated thus:

$$\text{Gross} = \frac{\#1,200,000}{12}$$

$$\text{Monthly gross} = \#100,000$$

$$\text{Tax} = \#60,000 \div 12$$

$$\text{Monthly tax} = \#5,000$$

$$\text{Deductions per month} = \#5000 + 200 + 6000 + 2000 = \#13,200$$

$$\text{Net pay per month} = \#86,800$$

**Preparation of a Payslip/Pay Advice;** Employee's payslip explains how a net wage or salary was arrived at. To arrive at the net wage or salary of an employee, the gross salary or wage has to be calculated first and all deductions, both statutory (tax) and voluntary (union dues), have to be calculated and deducted. The payslip is also known as the **pay advice**.