

key

Finance Assignment 3: Deductions and Net Pay

1. Juliana has an annual salary of \$45 785.00.

a) How much does she pay in union dues if the rate is 2.4%?

$$0.024(\$45\,785) = \$1098.84$$

b) How much does she pay in CPP if the rate is 4.95% and her taxable income is \$44 686.16?

$$0.0495(\$44\,686.16) = \$2211.96$$

2. Mario had \$685.74 deducted in federal tax. If his taxable income was \$2981.52, what was his tax rate?

$$\frac{\$685.74}{\$2981.52} = 0.22997 = 23\%$$

3. What will be your net pay if you have deductions of \$105.30 federal tax, \$23.76 provincial tax, \$48.61 CPP, and \$14.12 EI from your paycheque of \$982.00?

$$982 - (105.30 + 23.76 + 48.61 + 14.12) = \$790.21$$

4.

Employee Name: Amanda						
Company:		Pay Begin Date: 08/17/2008		Net Pay:		
		Pay End Date: 08/23/2008		Cheque Date:		
General			Taxes Data			
Employee ID:		Job Title:		Description	Federal	
Address: 123 Main St. Cochrane, AB		Pay Rate: \$500.00/wk Annual: \$26 000.00		Claim Code	1	
Hours and Earnings			Before-Tax Deductions		Taxes	
Current			Description	Amt.		
Description	Rate	Gross Earnings	Union Dues			
Regular	\$500.00/wk	\$500.00	Pension			
			Total			
				Description		
				Federal		
				Provincial		
				CPP	?	
				EI		
				Total		

a) Calculate the Canada Pension Plan deduction for Amanda whose pay statement is shown here. In 2008, the CPP contribution rate was 4.95% of any gross earnings above \$3500.00.

annual wages: $\$500 \times 52 \text{ weeks} = \$26\,000$

taxable amount = $26\,000 - 3500 = \$22\,500$

$0.0495(22\,500) = 1113.75$ ← annual

$\frac{1113.75}{52 \text{ weeks}} = \21.42

b) Referring to Amanda's pay statement, calculate the Employment Insurance premium that will be deducted from her weekly pay. In 2008, the EI premium rate was 1.73% of gross earnings.

$$0.0173(\$500) = \$8.65$$

5) Amber works as a cashier and earns \$960.00 biweekly. Each pay period, her employer deducts \$69.50 for federal tax, \$21.91 for provincial tax, and 1.73% for EI premiums. The CPP contribution rate is 4.95%, and the CPP annual exemption is \$3500.00. What is Amber's net pay?

Annual taxable pay $\$960 \times 26 - 3500 = \21460
 $\$21460 \div 26 \text{ weeks} = \825.385
 Deductions: $69.50 + 21.91 + (0.0173)(960) + 0.0495(825.39)$
 (per pay)
 Weekly Net: $960 - \text{deductions} = \811.13

6) Gerry's employer has a dental plan for employees that covers Gerry, his spouse, and their child. The dental plan will pay 100% for routine checkups and cleaning and basic procedures such as fillings. It pays 70% for a crown and 65% for braces. One year, the following dental work is done:

- each member of the family has a routine checkup and cleaning that costs \$165 for each person; $3(165)$
- Gerry gets a crown that costs \$900.00; and $(900)(0.7)$
- the child has a filling that costs \$125.00 and gets braces that cost \$4250.00 $125 + 0.65(4250)$

a) How much is the total bill?

$$3(165) + 900 + 125 + 4250 = \$5770$$

b) What amount will the insurance company pay?

$$\$4012.50$$

Answers

1. a) \$1098.84 b) \$2211.96 2. about 23% 3. \$790.21 4.a) \$21.42 b) \$8.65
 5. \$811.12 6.a) \$5770.00 b) \$4012.50