

Question 1

(A) Calculate Audrey Stapleton's net **monthly** take-home pay.

Tax Computation for Audrey Stapleton

	€	€	€
Gross Salary			78,000
Add Benefit in kind			<u>2,000</u>
Gross Income			80,000 (2m)
PAYE Tax payable calculation			
€32,800 @ 20%		6,560 (1m)	
€47,200 @ 41% (1m)		<u>19,352 (1m)</u> OF	
Gross PAYE Tax		25,912 (1m) OF	
Less Tax credits			
Single Person	1,650 (1m)		
PAYE	1,650 (1m)		
Rent	<u>320 (1m)</u>		
	3,620	<u>(3,620)</u>	
(A) Net Tax Payable		22,292 (1m) OF	
(B) Employee's PRSI			
€80,000 @ 4%		3,200 (2m)	
(C) Universal Social Charge (USC)			
€10,036 @ 2%	200.72 (1m)		
€5,980 @ 4%	239.20 (1m)		
Balance of €63,984 @ 7% (1m)	<u>4,478.88 (1m)</u> OF	<u>4,918.80 (1m)</u> OF	
Total Statutory Deductions			
(A+B+C)			(30,410.80)
Net Income (Take-home Pay) p.a.			
(€78,000 - €30,410.80)			47,589.20
Net Income (Take-home Pay) p.m.			
	(47,589.20 ÷ 12) (2m)		<u>3,965.77 (1m)</u>
			<u>OF = Own Figure</u>

- (B) Explain the different types of financial and non-financial rewards for employees in a business.

Financial rewards:

Time Rate:

With time rate, payments of a fixed amount per hour for a fixed number of hours per week are made to employees.

If the employee works more than the fixed number of hours overtime is paid at different rates above the minimum e.g. time and a half or double time.

Piece Rate:

This relates the payment given to employees for each unit produced or job completed. The more units produced, the more the employee earns.

Bonus:

A bonus is a sum of money paid to employees for reaching a certain target, e.g. for producing units above an agreed limit.

Commission:

This is a type of financial reward where payment is made according to value of the amount sold, e.g. payments to a sales person (10%) in proportion to the level of sales achieved. It has the advantage of directly encouraging sales.

Profit-sharing schemes:

This is a scheme where some of the organisation's profits are paid to employees on an agreed basis. The scheme is administered and profits are paid to employees to motivate them to become more productive.

Employee Share Ownership Scheme:

Shares in the organisation may be given to employees instead of cash bonuses, maintaining employee interest in the job.

Share option schemes give employees an option to buy shares in a company at a specified price sometime in the future.

Non-financial Rewards

Benefit-in-kind:

This is also known as a perk or a fringe benefit. It takes the form of goods or a service given to employees rather than money. Benefits-in-kind are often used to raise the status of a position in a firm and to boost morale.

Examples include meal vouchers, company cars and health insurance.

(NOTE: Benefit-in-kind can be considered financial or non-financial depending on whether it is taxable or not).

Promotion:

Movement to a more responsible senior level in the organisation. While this will also carry a higher wage it is often the job title, bigger office or the availability of a personal assistant that is the real reward as per Maslow's self-esteem needs.

Job Satisfaction/Job enrichment/Job enlargement:

Employees are rewarded because the job satisfies their social needs (teamwork) and self-actualisation needs (opportunity to do further study). The nature of the work (vocation) and the opportunities it presents (travel) reward the employee e.g. a volunteer with a third world relief agency or charity.

Flexitime:

This allows employees the freedom to choose their own work hours within an agreed time frame e.g. workers may have to be in the workplace between 10am and 1pm only. This allows employees to work from home and organise for example their childcare arrangements more efficiently.

Job sharing:

This involves employees sharing a position e.g. two employees have a job split between them. This is a flexible approach to employment and recognises that employees may wish to prioritise leisure time over work time.

- (C) (i) **Outline two reasons why a household should prepare a cash flow forecast.**
- It helps the household manage its cash flow and **live within its means**. It acts as a **control mechanism** that can be used to measure actual cash flow against planned cash flow encouraging households to **plan their finances sensibly** and live within their means. Means of controlling personal debt.
 - It helps a household identify periods of time in the future when the household will have an excess of expenditure over income i.e. a deficit and the **take corrective action to deal with the cash shortfall**.
 - It helps a household identify periods of time in the future when the household will have a surplus of income over expenditure. The household can then make **plans** to place these surplus funds on deposit with a financial institution.
- (ii) **Illustrate how a household can overcome cash flow problems.**
- The household could decrease its cash outflows by **targeting (discretionary) expenditure** and reducing its spending on for example, entertainment and holidays.
 - The household could attempt to increase its cash inflows by **increasing the income levels of family members**. This may involve a non-working family member returning to work. It might involve doing overtime to earn extra income or even getting a second job.
 - The household could **arrange a bank overdraft facility** with its bank to finance problem months where the household is running a deficit. The overdraft facility provides extra flexibility for the household when it needs it most. However, care should be taken because the rate of interest charged on a bank overdraft is high.

- The household could **spread once- off annual expenditure** over a six month or twelve month period. House insurance, health insurance and motor insurance can be paid for on a monthly schedule. In addition utility services can be managed in the context of a budget plan which evens out the seasonal highs and lows of the electricity or gas account.
- **Delaying the payment of bills** (accrued expenses) is an option. By delaying the bill payment money is available for other uses such as reducing a deficit. However, this option is risky for a household because failure to pay can result in loss of service if not managed correctly.
- **Seeking advice** from Local Credit Union/MABS- a household could try to renegotiate loan terms e.g. write down of loan repayments.

Question 2

Gross Pay		50,000
36,400 Taxed at 20%	7280 (1)	
(1)13,600 Taxed at 41%	5576 (1)	
Gross Tax	12856 (1)	
Less Credits	6000 (1)	
Tax Payable		6,856 (1)
Net Pay		43,144 (1)

(b) Tax Credits

Personal Tax credit (single, married, widowed)
 PAYE Tax credit
 Age Tax credit
 Incapacitated Child
 Dependant Relative
 Blind Person etc.

Question 3

(A) Taxation forms (distinguish):

Form P21

Form P21 is known as a 'balancing statement'. All PAYE taxpayers are entitled to request a Form P21 annually from the Inspector of Taxes. It is an end of year summary of an employee's tax situation and contains all details of income, allowances and the calculations of the tax payable at the various rates for the year. Form P21 will indicate if an employee has overpaid or unpaid tax for the year. If an employee has overpaid tax, the Inspector of Taxes will issue a tax refund. If an employee has underpaid tax, the Inspector of Taxes will issue a tax demand.

Form P60

A P60 is issued by an employer to each of his/her employees at the end of each tax year. It is a certificate which shows details of gross pay, and tax and PRSI deductions made during the year. After 31 December each year, all PAYE taxpayers receive from their employers a Form P60 which has two parts. A PAYE taxpayer has a statutory right to this document and it is used as proof of income for various purposes, e.g. education grants.

(B) Taxation – Joan McCormack’s net annual take-home pay (calculate):

				€
Gross Salary				84,000
Tax				
34,000 @ 20%	6,800			
50,000 @ 41%	<u>20,500</u>			
Gross Tax		27,300		
- Tax Credits				
Single Person	1,760			
PAYE	<u>1,760</u>			
		<u>3,520</u>		
Tax to be paid			<u>23,780</u>	
PRSI (incl. health levy)				
48,800 @ 6%	2,928			
35,200 @ 2%	<u>704</u>			
PRSI to be paid			<u>3,632</u>	
Tax & PRSI to be paid				<u>27,412</u>
Net take-home pay (Annual)				56,588

(C) TQM

Term (explain):

TQM or Total Quality Management is a long-term focused effort to change all parts of an organisation to produce the best products or services for its customers. There are basically three principles to a TQM approach:

- Satisfying customer needs
- Providing top quality products and services
- Teamwork.

TQM of benefit to an organisation (describe):

- Quality of products
- Reduced costs
- Staff motivation
- Public image
- Customer satisfaction
- Productivity.