Lesson 6: Tips and Commission

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| Learning Goals:  |

* Learn how to calculate restaurant tip
* Learn how to calculate commission earnings

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| Topic: Tips and Commission  |

**Commission**

For work, some people get paid commissions. **Commission** is usually a percentage of the amount of goods they sell.

For example, when you buy a car at the dealership, the salesperson who helped you will get a percentage of the car sale as commission.

There are jobs that pay only commission. There are also jobs that pay a set salary every month (called **base salary**) and commission on top.

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| Amount of money made = Base salary + ($\frac{commision percentage}{100}$x Amount sold)  |

**Tips**

When dining at a sit-down restaurant, it is customary to leave a **tip** for the waiter or waitress that serve your table. Tip is also known as gratuity.

The tip is normally a percentage of the **pre-tax** amount of the bill. Traditionally, it is understood that 15% is average amount of tip that you should leave your wait-staff. For a superior serves you can leave a tip up to 20% and for inferior serves you can leave a tip of 10%.

Tips are important to the wait-staff, because they make minimum wage and most of their income comes from the tips they make.

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| Tip = Pre-tax amount x ($\frac{tip percentage}{100}$) |

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| After tip amount = Post tax amount + Tip  |

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| Example(s):  |

**Commission:**

**Example 1:** Only commission

Vicky makes money by commission rates. She gets 17% of everything she sells. If Vicky sold $37000 worth of items this month, what is her salary for the month?

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| Amount of money made = Base salary + ($\frac{commision percentage}{100}$x Amount sold) |

Amount of money made = 0 + ($\frac{17}{100} x 37000)$

Amount of money made = 0 + 6290

The amount of money made is $6290.00

**Example 2:** Base salary and commission

Mario makes 1000 a month plus some money by commission rates. He gets 6% of everything he sells. If Mario sold $59000 worth of items this month, what is his salary for the month?

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| Amount of money made = Base salary + ($\frac{commision percentage}{100}$x Amount sold) |

Amount of money made = 1000 + ($\frac{6}{100} x 59000)$

Amount of money made = 1000 + 3540

The amount of money made is $4540.00

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### **Restaurant Tip:**

### 1. At Pizza Hut, your bill was $15.97 (before tax), and $18.05 after tax. How much should you tip if you?

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| Tip = Pre-tax amount + ($\frac{tip percentage}{100}$) |

### Tip = $15.97 x $\frac{15}{100}$

 = $2.04

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| After tip amount = Post tax amount + Tip  |

###  So your total bill will be: $18.05 + $ 2.40 = $ 20.45   2. Your lunch bill came to $9.87 (before tax), and $11.15 after tax. How much should you tip?

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| Tip = Pre-tax amount + ($\frac{tip percentage}{100}$) |

### Tip = $9.87 x $\frac{20}{100}$

 = $1.97

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| After tip amount = Post tax amount + Tip  |

###   So your total bill will be: $ 11.15 + $ 1.97 = $ 13.12

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| Practice Questions:  |

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| 1.  | John makes $10000 a month plus some money by commission rates. He gets 3% of everything he sells. If John sold $40000 worth of items this month, what is his salary for the month?  |
| 2.  | Miguel makes $5000 a month plus some money by commission rates. He gets 8% of everything he sells. If Miguel sold $53000 worth of items this month, what is his salary for the month?  |

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###   3. You and a friend ordered fajitas for two, and agreed to split the bill. The bill came to $19.06. How much is your share of the tip?

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### 4. You went to a coffeehouse with friends and ordered an iced coffee and dessert, which came to $6.87. How much of a tip should you leave?

###     5. At dinner, your waiter got your orders mixed up and then failed to refill your drink. The bill came to $21.99. How much of a tip should you leave?

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| Assessment: Strand 1 Lesson 6 |

### **Commission questions:**

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|   | 1. Jennifer makes money by commission rates. She gets 13% of everything she sells. If Jennifer sold $46000 worth of items this month, what is her salary for the month? 2. Peter makes money by commission rates. He gets 15% of everything he sells. If Peter sold $28000 worth of items this month, what is his salary for the month?  |

**Restaurant question:**

**STEP 1: Choose a meal**

You and your friend each choose a meal from the menu below. Choose three items: one soup or salad, one dinner, and one dessert.

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| **Deborah’s Diner**  |
| Soup |   | $2.50 |
| Salad |   | $2.75 |
| Dinners |
| Double Crunch Shrimp |   | $10.70 |
| Grilled Chicken Caesar Salad |   | $9.00 |
| 12 oz New York Strip Steak |   | $16.00 |
| California Turkey Club |   | $8.00 |
| Desserts |
| Triple Chocolate Meltdown |   | $5.00 |
| Oreo Cookie Sundae |   | $3.00 |
| Apple Caramel Supreme |   | $3.25 |
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| *An 18% gratuity will be added for parties of 6 or more.* |

**STEP 2: Write up a bill**

Write both your and your friends’ choices for meals on the bill below. Then find the total cost of all items.

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|  | **Item** | **Cost** |
| **Soup or Salad** |  |  |
| **Soup or Salad** |  |  |
| **Dinner** |  |  |
| **Dinner** |  |  |
| **Dessert** |  |  |
| **Dessert** |  |  |
| **Total** |  |  |

**Use your observations to complete these exercises. Round to the nearest penny.**

1. Food is taxed at a rate of 5%. Find the tax on the bill.
2. You want to leave a tip for your server that is 20% of the food costs. Find the tip that you and your friend will leave.
3. Find the total cost of the meal for you and your friend including tax and tip.
4. Suppose you and your friend decide to pay separately. Use the items from your combined bill to create two separate bills.

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| --- | --- | --- |
|   | Item | Cost |
| Soup or Salad |   |   |
| Dinner |   |   |
| Dessert |   |   |
| Total |   |   |

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| --- | --- | --- |
|  | Item | Cost |
| Soup or Salad |   |   |
| Dinner |   |   |
| Dessert |   |   |
| Total |   |   |

5. How much tax will you owe? How much tax will your friend owe?

6. You also decide to leave separate tips. You and your friend still want to leave 20% of the food costs. How much will you leave? How much will your friend leave?

7. What is the total that you will pay including tax and tip? What is the total that your friend will pay including tax and tip?