

## Reading a Pay Stub

### Extension Activity for *Managing Money & Understanding Credit* Presentation

#### Grade Level:

- Grade 11

#### Learning Objective:

This extension activity, along with *Managing Money & Understanding Credit* presentation, should help students:

- understand the difference between gross and net pay
- identify taxes and deductions taken from gross pay \*
- read and understand a pay stub

\*This activity is intended to teach students taxes and deductions are subtracted from earnings. People may qualify for a tax refund after they have filed their income tax if they have sufficient tax credits, deductions, or their income is below a certain level. Due to frequent changes in tax laws, check the Canada Revenue Agency website for up to date and accurate information.

#### Materials Needed:

- whiteboard
- whiteboard marker
- *Sample Pay Stub* (1 per student)
- *Reading a Pay Stub* worksheet (1 per student)
- *Calculating Monthly Gross & Net Pay* worksheet (1 per student)
- pencil (1 per student)

#### Lesson Plan:

##### Part I: monthly gross pay

1. Ask students what is monthly gross pay. Allow them to share their responses aloud. Write correct responses on the whiteboard
2. Share with students the following definition of monthly gross pay:  
monthly gross pay: money earned each month before taxes and deductions
3. Write the following formula for calculating monthly gross pay on the whiteboard  
monthly gross pay = hourly pay rate X number of hours worked that month
4. Write the following question on the whiteboard:  
Jacob works 40 hours per month and makes \$15.00 per hour. What is his monthly gross pay?
5. Show students how to solve this question using the monthly gross pay formula

Jacob's monthly gross pay = \$15.00 (Jacob's hourly pay) X 40 hours (Number of hours worked that month)

Jacob's monthly gross pay = \$600.00

Part II: deductions/net pay

1. Explain to students gross pay is not the amount of money deposited into their bank account. Money is often subtracted from gross pay. The money subtracted from your gross pay is your taxes and deductions.
2. Ask students the following question: what items are subtracted from an employee's gross pay each month? Allow students to share their responses aloud and write correct answers on the whiteboard.
3. Share with students the following examples of taxes and deductions:
  - a. income tax (federal and provincial tax). This is usually 25% of your gross pay depending on how much money you earn. As you make more money, this percentage increases and the amount of taxes you owe may go up as well
  - b. employment insurance (EI) premiums. Employment insurance (EI) is 1.63% of your gross pay. This amount is deducted from the employee's gross pay. The employer also pays 1.4 times the amount of the employee's EI premiums. A person may be eligible to receive EI benefits if they were employed in insurable employment, worked a certain number of hours and:
    - lost their job through no fault of their own or
    - are temporarily unable to work due to a medical issue or
    - need to take care or support a family member who is gravely ill or
    - are pregnant or have recently given birth or
    - are caring for a new child
  - c. Canadian Pension Plan (CPP) premiums must be paid by people who are 18 years or older. When you retire, you can start to receive payments from the money you have in CPP starting at age 60. The employer will match the employee's CPP premiums dollar for dollar
4. Share with students other deductions may be taken from an employee's gross pay if they have agreed to them in writing. Examples of such deductions include:
  - a. company pension plans
  - b. dental/health plans
  - c. Registered Retirement Savings Plans (RRSPs)
  - d. charitable donations
5. Share with students the following definition of monthly net pay:  
monthly net pay: monthly gross pay minus taxes and deductions (voluntary and involuntary). This is the amount of money deposited into the employee's bank account (take-home pay)
6. Write the following formula, for calculating monthly net pay, on the whiteboard  
monthly net pay = monthly gross pay – taxes and deductions
7. Write the following question on the whiteboard:

8. Jacob monthly gross pay is \$600.00. After 25% income tax and 1.63% employment insurance (EI) deductions, what is his net monthly pay?
9. Show students how to solve this question using the monthly net pay formula:
10. Jacob's monthly net pay = \$600.00 (monthly gross pay) - \$150.00 (income tax) - \$9.78 (Employment Insurance) = \$440.22

Part III: pay stubs

1. Write the following question on the whiteboard: what is a pay stub?
2. Read the question aloud and allow students to share their responses. Write the correct responses on the whiteboard
3. Explain to students a pay stub provides a break down of an employee's gross pay, taxes and deduction and net (take-home) pay
4. Ask students the following question: What information is included in a pay stub? Write the correct responses on the whiteboard
5. Explain to students a pay stub includes lots of information including:
  - a. pay period: the time period for which the employee is being paid
  - b. pay date: the date the employee receives their pay
  - c. pay rate: the amount of money the employee earns per hour or unit
  - d. number of hours: the number of hours the employee worked during the pay period
  - e. gross pay: the employees pay before taxes and deductions
  - f. taxes: fees that need to be paid to the provincial and federal government
  - g. deductions: money other than taxes subtracted from gross pay
  - h. net pay: gross pay minus taxes and deductions. This is the amount of money deposited into the employee's bank account (take home pay)
  - i. year to date (YTD) amounts: the cumulative earnings, taxes and deductions since the beginning of the calendar year for the employee

Part IV: worksheets

1. Explain to students they will be completing worksheets to calculate gross/net pay and practice reading a pay stub
2. Distribute the *Sample Pay Stub*, *Reading a Pay Stub* and *Calculating Monthly Gross & Net Pay* worksheets and pencils to students
3. Review the answers with students after they have completed the worksheets



CUCKOO CONES ICE-CREAM PARLOUR

STATEMENT OF EARNINGS

Peter Whitaker  
 1234 – 15<sup>th</sup> Street SW  
 Anytown, AB T4G 2C4

Pay Period: Jan. 15 20XX – Jan. 30 20XX  
 Pay Date: Jan. 30 20XX  
 Deposited to Account:000014568

Earnings			
Pay Rate:	# of Hours:	Gross Pay:	YTD:
\$17.00/hr.	25	\$425.00	\$850.00
Benefits Paid by the Employer on Your Behalf			
Employment Insurance (EI)		\$9.70	\$19.40
Canadian Pension Plan (CPP)		\$0.00	\$0.00
Taxes and Deductions Paid by Employee			
Employment Insurance (EI) – Employee		\$6.93	\$13.86
Canadian Pension Plan (CPP) – Employee		\$0.00	\$0.00
Taxes		\$106.25	\$212.50
Total Taxes and Deductions		\$113.18	\$226.36
<b>Net Pay:</b>		<b>\$311.82</b>	<b>\$623.64</b>



## *Reading a Pay Stub*

**Instructions:** use the sample pay stub on the attached sheet to answer the questions below.

1. What is the pay period covered by this pay stub?
2. What date is the employee being paid?
3. How much money does the employee earn per hour?
4. How many hours did the employee work this pay period?
5. What is the employee's gross pay for this pay period?
6. What is the employee's gross pay for the year to date?
7. What benefit was paid for by the employer on the employee's behalf? How much money did the employer contribute this pay period?
8. How much employment insurance (EI) premiums were deducted from the employee's pay this pay period?
9. How much taxes were deducted from the employee's gross pay this pay period?
10. How much taxes were deducted from the year to date?
11. What is the employee's net pay for the pay period?
12. What is the employee's net pay from the year to date?

## *Reading a Pay Stub*

**Instructions:** use the sample pay stub on the attached sheet to answer these questions.

1. What is the pay period covered by this pay stub?  
*Jan. 15 20XX – Jan. 30 20XX*
2. What date is the employee being paid?  
*Jan. 30 20XX*
3. How much money does the employee earn per hour?  
*\$17.00 per hour*
4. How many hours did the employee work this pay period?  
*25 hours*
5. What is the employee's gross pay for this pay period?  
*\$425.00*
6. What is the employee's gross pay for the year to date?  
*\$850*
7. What benefit was paid for by the employer on the employee's behalf? How much money did the employer contribute this pay period?  
*employment insurance benefits. The employer contributed \$9.70 this pay period*
8. How much employment insurance (EI) premiums were deducted from the employee's pay this pay period?  
*\$6.93*
9. How much taxes were deducted from the employee's gross pay this pay period?  
*\$106.25*
10. How much taxes were deducted from the year to date?  
*\$212.50*
11. What is the employee's net pay for the pay period?  
*\$311.82*
12. What is the employee's net pay from the year to date?  
*\$623.64*

## *Calculating Monthly Gross & Net Pay*

**Instructions:** calculate the pay for each situation below.

\*This activity is intended to teach students taxes and deductions are subtracted from earnings. People may qualify for a tax refund after they have filed their income tax if they have sufficient tax credits, deductions, or their income is below a certain level. Due to frequent changes in tax laws, check the Canada Revenue Agency website for up to date and accurate information.

1. Helen earns \$16 an hour and works 100 hours per month. What is her gross monthly pay? After 25% income tax and 1.63% Employment Insurance (EI) deductions, what is her net monthly pay?
2. Roger earns \$1200 each month before taxes and deductions. After 25% income tax and 1.63% employment insurance (EI) deductions, what is his net monthly pay?
3. Peter makes \$20 an hour and works 120 hours per month. What is his gross monthly pay? After 25% income tax and 1.63% employment insurance (EI) deductions, what is his net monthly pay?
4. Tommy makes \$17 an hour and works 40 hours per month. What is his gross monthly pay? After 25% income tax and 1.63% employment Insurance (EI) deductions, what is his monthly net pay?



## Calculating Monthly Gross & Net Pay: *Answer Key*

**Instructions:** calculate the pay for each situation below.

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1. Helen earns \$16 an hour and works 100 hours per month. What is her gross monthly pay? After 25% income tax and 1.63% employment insurance (EI) deductions, what is her net monthly pay?
 

*gross monthly pay = hourly pay rate x number of hours worked that month*  
*gross monthly pay = \$16 x 100*  
**Gross Monthly Pay = \$1600**  
*Net Monthly Pay = Gross Monthly Pay – deductions*  
*Net Monthly Pay = \$1600 - \$400 (income tax) - \$26.08 (EI)*  
**Net Monthly Pay = \$1,173.92**
2. Roger earns \$1200 each month before taxes and deductions. After 25% income tax and 1.63% Employment Insurance (EI) deductions, what is his net monthly pay?
 

*Net Monthly Pay = Gross Monthly Pay – deductions*  
*Net Monthly Pay = \$1200.00 - \$300.00 (income tax) - \$19.56 (EI)*  
**Net Monthly Pay= \$880.44**
3. Peter makes \$20.00 an hour and works 120 hours per month. What is his gross monthly pay? After 25% income tax and 1.63% Employment Insurance (EI) deductions, what is his net monthly pay?
 

*Gross Monthly Pay = hourly pay rate x number of hours worked that month*  
*Gross Monthly Pay = \$20.00 x 120*  
**Gross Monthly Pay = \$2,400.00**  
*Net Monthly Pay = Gross Monthly Pay – deduction*  
*Net Monthly Pay = \$2,400.00 - \$600.00 (income tax) - \$39.12 (EI)*  
**Net Monthly Pay = \$1,760.88**
4. Tommy makes \$17.00 an hour and works 40 hours per month. What is his gross monthly pay? After 25% income tax and 1.63% Employment Insurance (EI) deductions, what is his monthly net pay?
 

*Gross Monthly Pay = hourly pay rate x number of hours worked that month*  
*Gross Monthly Pay = \$17.00 x 40*  
**Gross Monthly Pay = \$680.00**  
*Net Monthly Pay = Gross Monthly pay – deductions*  
*Net Monthly Pay = \$680.00 - \$170.00 (income tax) - \$11.08 (EI)*



*Net Monthly Pay = \$498.92*