PRACTICAL AND FINANCIAL LITERACY

Tips and Gratuities

Difficulty level: Easy

Practical and Financial Literacy

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Overview of the concept

This is how you work out a tip at a restaurant, a salon, or in a taxi, so you pay fairly for good service without guessing at the total. A tip is usually a percentage of the bill, so the size of the bill decides the size of the tip. Knowing how to work that out means you can pay fairly and quickly, without overpaying or leaving too little. That is a skill you use every time you eat out, get a haircut, or take a taxi.



Rule

Tips and gratuities: tip = rate × bill.

Turn the rate into a decimal, multiply it by the bill to get the tip. Total = bill + tip.

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Worked examples

EXAMPLE 1

Q A meal costs $80. You leave a 15% gratuity. How much is the gratuity, and what is the total?

SOLUTION

This is a gratuity question, so the one rule to remember is: a gratuity is a percent of the bill, so turn the percent into a decimal and multiply by the bill. Work out the tip first, then add it on.

15% as a decimal is 0.15, and 0.15 × $80 = $12, so the gratuity is $12.

Add it to the bill: $80 + $12 = $92 in total.

EXAMPLE 2

Q A bill is $56 before tax. Add 5% tax and a 20% tip on the pre-tax amount. What is the total paid?

SOLUTION

This is the same question type with tax added, so keep the two percents separate: the tip is worked out on the bill before tax, and the tax is worked out on the bill too.

Tax is 5% of $56, which is $2.80, and the tip is 20% of $56, which is $11.20.

Add everything: $56 + $2.80 + $11.20 = $70.00 in total.

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Practice questions

1 What is a 20% gratuity on a $30 meal?

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2 A restaurant bill is $120. How much is a 10% tip?

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3 A meal costs $48. You leave a 25% tip. What is the total amount you pay?

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4 **A $200 bill already includes a 15% service charge. How much is the service charge?**

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5 **Three friends split a $90 bill and leave a 20% tip. How much does each person pay?**

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6 **You paid $69 on a $60 bill. What percent tip did you leave?**

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7 You have $12 set aside for the tip and you want to leave a 20% tip. What is the largest bill you can cover with a 20% tip?

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8 A bill is $47.80. Round it to the nearest dollar first, then work out a 15% tip on the rounded bill.

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9 A bill is $100. Add 8% tax and a 20% tip on the pre-tax amount. What is the total paid?

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10

Which costs more in total?

A The $70 meal with a 20% tip

B The $90 meal with a 10% tip

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ANSWER KEY

1. 6

2. 12

3. 60

4. 30

5. 36

6. 15

7. 60

8. 7.20

9. 128

10. The $90 meal with a 10% tip

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