PRACTICAL AND FINANCIAL LITERACY

Understanding Paycheques

Difficulty level: Easy

Practical and Financial Literacy

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Overview of the concept

This is how you read your first paycheque, like checking your hours, your gross pay, the deductions taken off, and the net pay that actually lands in your bank account. Gross pay is what you earned, deductions are what was taken off for tax and other things, and net pay is what is left. Two deductions you will see on almost every Canadian paycheque are EI, short for Employment Insurance, and CPP, short for Canada Pension Plan. Knowing which is which means you can check your pay is right, and you know what you actually have to spend. That is a skill you use with every paycheque, from your first job onwards.



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Rule

Paycheques: gross pay = hours × hourly wage, and net pay = gross pay - deductions.

Net pay is what actually lands in your bank account.

Worked examples

EXAMPLE 1

Q **Liam earns $11.50 per hour and works 36 hours a week. His deductions are EI $9.46, CPP $14.47, income tax $38.55, pension $9.18 and savings $35.00. What is his net pay?**

SOLUTION

This is a paycheque question, so the one rule to remember is: gross pay is hours times wage, and net pay is gross pay minus all the deductions. Work out the gross first, then add up what comes off.

Gross pay is 36 × $11.50 = $414.00. The deductions add to $9.46 + $14.47 + $38.55 + $9.18 + $35.00 = $106.66

Net pay is $414.00 − $106.66 = $307.34, and that is what lands in his bank account.

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EXAMPLE 2

Q Gus works 35 hours a week. His net pay is $420 and his deductions are $105. What is his gross pay, and how much does he earn per hour?

SOLUTION

This is the same question type worked backwards: net pay plus deductions gives the gross pay, and gross pay divided by hours gives the wage.

Gross pay is $420 + $105 = $525

His hourly wage is $525 ÷ 35 = $15 per hour

Practice questions

1 Joy's gross pay is $427 per week. Her deductions are EI $9.61, CPP $15.47, income tax $57.55 and pension $10.40. What are her total deductions?

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2 Kevin works 37.5 hours a week at $12 per hour. What is his gross pay?

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3 Lisa earns $12.56 per hour and works 40 hours per week. If $89.00 is deducted, what is her net pay per week?

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4 A worker's gross pay is $550 and the deductions are $125.75. What is the net pay?

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5 Clayton's gross pay is $372 per week. His deductions are EI $8.37, CPP $13.10, income tax $42.60, pension $9.30 and union dues $6.20. What is his net pay?

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6 Which of these are deductions on a Canadian paycheque?

- **A** CPP
- **B** EI
- **C** Income tax
- **D** All three

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7 Mark's gross pay is $429 and his net pay is $347.30. What were his total deductions?

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8 A worker's gross pay is $525 for 35 hours of work. What is the hourly wage?

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9 Maya's gross pay is $600 and her net pay is $492. What were her total deductions?

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10 Gross pay is $388.50 and deductions are $109.50. What is the net pay?

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ANSWER KEY

1. 93.03

2. 450

3. 413.40

4. 424.25

5. 292.43

6. All three

7. 81.70

8. 15

9. 108

10. 279

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