

# [Bonus example writing assignment](https://assignbuster.com/bonus-example-writing-assignment/)

[Finance](https://assignbuster.com/essay-subjects/finance/)

BONUS Use the data below to answer the questions. Employee Salary Grade Annual Salary Performance Rating Sarah 10 58, 000 3 Ben 12 80, 000 Stephen 1164, 000
1
Mary
12
78, 000
2
Jennifer
10
60, 000
3
Salary Grade
Bonus Target
10
8%
11
8%
12
10%
1. Determine the monthly accrual amount for each of the 5 employees based on the target plus 1% accrual assumption.
Employee
Salary Grade
Annual Salary
Performance Rating
Bonus Target
Bonus Award
Monthly Accrual Amount (Bonus Award + 1% of Annual Salary)
Sarah
10
58, 000
3
8%
4, 640
5, 220
Ben
12
80, 000
1
10%
8, 000
8, 800
Stephen
11
64, 000
1
8%
5, 120
5, 760
Mary
12
78, 000
2
10%
7, 800
8, 580
Jennifer
10
60, 000
3
8%
4, 800
5, 400
2. Determine the total payout for each employee based on the actual payout percentage; be sure to include any adjustments for performance.
Employee
Salary Grade
Annual Salary
Performance Rating
Bonus Target
Bonus Award
Increased Bonus Award due to company’s performance (125%)
Sarah
10
58, 000
3
8%
4, 640
5, 800
Ben
12
80, 000
1
10%
8, 000
10, 000
Stephen
11
64, 000
1
8%
5, 120
6, 400
Mary
12
78, 000
2
10%
7, 800
9, 750
Jennifer
10
60, 000
3
8%
4, 800
6, 000
Employee
Increased Bonus Award due to company’s performance (125%)
Performance Rating
Additional Bonus on Individual Performance
Increased Bonus Award
Sarah
5, 800
3
-
5, 800
Ben
10, 000
1
20%
12, 000
Stephen
6, 400
1
20%
7, 680
Mary
9, 750
2
10%
10, 725
Jennifer
6, 000
3
-
6, 000
Employee
Increased Bonus Award
Monthly Accrual Amount (Bonus Award + 1% of Annual Salary)
Total Payout
Sarah
5, 800
5, 220
580
Ben
12, 000
8, 800
3, 200
Stephen
7, 680
5, 760
1, 920
Mary
10, 725
8, 580
2, 145
Jennifer
6, 000
5, 400
600
3. Assume these employees all pay 39% tax on their bonus. What is their total after tax take home bonus, per employee?
Employee
Total Payout
Tax on Bonus @39%
After Tax Bonus
Sarah
580
226. 20
353. 80
Ben
3, 200
1, 248. 00
1, 952. 00
Stephen
1, 920
748. 80
1, 171. 20
Mary
2, 145
836. 55
1, 308. 45
Jennifer
600
234. 00
366. 00
4. Write a short (professional) email to the CFO of the company explaining the total bonus payout using the 125% of target, including all performance adjustments. Explain the differences between the total accrual and the total payout number.
Email:
The Chief Financial Officer
[Company Name]
I am writing this email to you in respect of the annual bonus to employees for the financial year ended December 31, 2013. The bonus will be paid out to the employees on January 15, 2014.
The company has decided to payout the bonus to employees at 125% of the target. The bonus target is set as a percentage of the employee’s salary and also depends on the employees’ salary grades; the higher the salary grade, the greater will be the bonus target. For the year 2013, normal bonus award amounts to $30, 360. The additional 125% of the bonus target is being paid out to the employees due to the company’s good performance. You will appreciate that this better performance may not be achieved without the hard efforts the employees have put in. So, they deserve to enjoy a portion of company’s profits that is the result of their untiring efforts. The annual bonus payout at 125% amounts to $37, 950.
Besides company’s performance, the employees are also awarded with bonuses on the basis of their individual performances as per company policy. For evaluating individual performance, the company has maintained “ Employee’s Performance System” through which all employees are given performance rating on the basis of their performance in the year. The bonus of the employees receiving performance rating 1 is increased by 20% and that of receiving performance rating 2 is increased by 10%. No increase in bonus is awarded to employees receiving bonus rating less than 2. The annual bonus due to performance rating is increased to $42, 205.
The company has a policy to accrue each year bonus using the target bonus percentage plus 1% for performance fluctuations. The accrued bonus for the year amounts to $33, 760. The gross bonus payout to employees amounts to $8, 445 ($42, 205-$33, 760). The tax is payable on bonuses on cash basis @39%. The total tax payment amounts to $3, 249. Thus the net after tax bonus for the employees is $5, 151.
I want to further explain to you regarding the difference between the total accrual and the total bonus payout. The bonus is accrued at the percentage of target plus 1% of the annual salary. This accrual does not includes the effects of fluctuations in bonuses occurred due to company’s performance and individual performances of the employees. On the other hand, the total bonus payout is calculated after incorporating the effects of company as well as individual performances. Thus, the difference is necessarily exist between these two amounts.
I believe that the above email will suffice your requirements regarding bonus payout calculations. However, I shall be pleased to provide you any further information, should you so desire.
Manager Finance
[Your Name]