

Chapter **23**

GRATUITY AND COMMISSION

A **GRATUITY** is a "tip"—a gift, usually in the form of money that you give someone in return for his or her service. We usually talk about tips and gratuity in regard to servers at restaurants. A **COMMISSION** is a fee paid to someone for his or her services in helping to sell something to a customer. We usually talk about commissions in regard to salespeople at stores. In both cases, how much you pay usually depends on the total cost of the meal or item you purchased. You can calculate gratuity and commission just like sales tax.

Again, the more your bill is, the more the gratuity or commission will be—they have a proportional relationship.



EXAMPLE OF GRATUITY: At the end of a meal, your server brings the final bill, which is **\$25**. You want to leave a **15%** gratuity. How much is the tip in dollars, and how much should you leave in total?

$$15\% = 0.15$$

$$\$25 \times 0.15 = \$3.75$$

The tip is **\$3.75**.

$$\$25 + 3.75 = \$28.75$$

The total you should leave is **\$28.75**.

EXAMPLE OF COMMISSION: My sister got a summer job working at her favorite clothing store at the mall. Her boss agreed to pay **12%** commission on her total sales. At the end of her first week, her sales totaled **\$3,500**. How much did she earn in commission?

$$12\% = 0.12$$

$$\$3,500 \times 0.12 = \$420.00$$

She earned **\$420**.

Alternative method: You can also solve these problems by setting up proportions, like this:

$$\frac{12}{100} = \frac{x}{3,500}$$

$$100x = 42,000$$

$$x = \$420$$



CHECK YOUR KNOWLEDGE

1. The Lee family eats dinner at a restaurant for a total bill of \$45. They decide to give a tip of 18%. How much tip will they give?
2. A saleswoman will receive 35% commission of her total sales. She makes a total of \$6,000. What is the commission that she will receive?
3. A business pays a catering company \$875 for a special event. The business decides to give the catering company a tip of 25%. How much is the tip, and how much does the business pay in total to the catering company?
4. Mr. and Mrs. Smith pay their babysitter a total of \$70. They also decide to give a tip of 32%. How much is the tip, and how much do Mr. and Mrs. Smith pay the babysitter?
5. If you give your hairdresser a 10% tip on a \$25 haircut, how much will the total cost be?
6. The bill for dinner at Zolo's Restaurant is \$32.75. You decide to leave a 17% gratuity. What is the total amount of money that you will pay?

7. Julio gets a job selling motor scooters and is paid 8% commission on all his sales. At the end of the week, Julio's sales are \$5,450. How much has he earned in commission?
8. Amber's boss tells her that she can choose whether she wants to be paid 12% commission or a flat fee (one-time payment) of \$500. Her total sales for the period are \$3,950. Which should she select?
9. Mauricio and Judith are salespeople at different stores, and both are paid on commission. Mauricio earns 8% commission on his total sales, and Judith earns 9.5% commission. Last month, Mauricio sold \$25,000, while Judith sold \$22,000. Who earned more?
10. Luke is a waiter at a restaurant. He receives an 18% tip from a group whose bill is \$236. Mary is an electronics salesperson next door. She receives a 12% commission from selling a total of \$380 worth of electronics equipment. Who received more money?

CHECK YOUR ANSWERS



1. \$8.10
2. \$2,100
3. Tip = \$218.75; Total = \$1,093.75
4. Tip = \$22.40; Total = \$92.40
5. \$27.50
6. \$38.32
7. \$436
8. Amber's commission would be \$474, so she should choose the \$500 flat fee.
9. Mauricio earned \$2,000 in commission, and Judith earned \$2,090 in commission. Judith earned more.
10. Luke received a tip of \$42.48. Mary received a commission of \$45.60. So, Mary received more money than Luke.