AGEC Grade 10 Accounting Teacher Lesson Plan

Compensating Employees Fairly - Salaries and Wages

The Allan Gray Entrepreneurship Challenge (AGEC) offers lesson plans that are interactive and CAPS-aligned, encouraging teachers to bring gamified learning into the classroom. These lesson plans enhance the CAPS curriculum per grade by highlighting one or two learning outcomes per subject that links to the AGEC High School Game, enabling fun integration and learning opportunities.

Subject: Accounting

Topic: Salaries and Wages (based on South African legislation and principles)	**Part A:** Class discussion. Introduce salaries, wages, salary scales, gross pay, deductions and net pay.	**20 minutes**
	Part B: Learners work with a partner to play the AGEC High School game and complete the worksheet.	**35 minutes**
	Part C: Completion of worksheet. Class discussion.	**5 minutes**

Resources: Access to internet, AGEC **(www.theentrepreneurshipchallenge.com)** and the "Worksheet for Lesson".
Vocabulary: Employee, employer, remuneration, salary, wage, salary scale, notch, increment, ordinary time, overtime, gross pay, employee deduction, employer contribution, net pay, PAYE, UIF, employment benefit, pension or provident fund, medical aid and Skills Development Levy.
Advance preparation: Print one worksheet for each learner. Ensure that all learners (working in pairs) have access to the AGEC website and Online High School Game (available on all devices - cellphone, laptop, computer, tablet).

Part A 20min Set the scene — Whole Class

Introduce Key Terms: Class Discussion.

Begin by asking learners:

- How can a business pay its employees?
- What is the difference between a salary and a wage?
- Why is the amount an employee earns not always the same as the amount deposited into their bank account?

Use their responses to introduce the following terms:

- **Remuneration:** The money and benefits that an employee receives in return for work performed.
- **Salary: A fixed amount paid at agreed intervals, usually monthly. Salaries are common in formal, permanent employment but may also apply to other employment contracts.**
- **Wage:** An amount based on the hours, days, shifts or work completed. Wage workers may be permanent, temporary, part-time or casual.
- **Gross pay:** The employee's total earnings before deductions. This may be referred to as a gross salary or gross wage.
- **Deductions:** Amounts lawfully subtracted from an employee's gross pay.
- **Net pay:** The amount paid to the employee after deductions have been subtracted.

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Part A 20min Set the scene (continued)

Core calculations

- **Monthly salary = Annual salary ÷ 12**
- **Net pay = Gross pay – Employee deductions**

Salary scale

Salary scales are commonly used for formally contracted positions, particularly permanent roles. A **notch** is a salary point on the scale, while an **increment** is an increase to the next notch. **Example: Mpho's salary scale**

- **Year 1:** R96 000 ÷ 12 = R8 000 per month
- **Year 2:** R102 000 ÷ 12 = R8 500 per month
- **Year 3:** R108 000 ÷ 12 = R9 000 per month
- **Year 4:** R117 000 ÷ 12 = R9 750 per month
- **Year 5:** R126 000 ÷ 12 = R10 500 per month

Calculating wages

Ordinary working hours and overtime arrangements should be agreed between the employer and employee in line with the basic conditions of work as per the country's laws. Key calculations:

- **Ordinary wage** = Hours worked × Hourly rate
- **Overtime pay** = Overtime hours × Overtime rate
- **Gross wage** = Ordinary wage + Overtime pay
- **Net wage** = Gross wage – Deductions

Example: Mpho works 40 ordinary hours at R40 per hour and five overtime hours at 1.5 times their normal rate.

- **Ordinary wage:** 40 × R40 = R1 600
- **Overtime rate:** R40 × 1.5 = R60
- **Overtime pay:** 5 × R60 = R300
- **Gross wage:** R1 600 + R300 = R1 900

Employee deductions

Statutory employee deductions: These apply where the employee and employer meet the legal requirements.

- **PAYE:** Tax deducted from an employee's remuneration where the employee earns enough to be liable for tax.
- **Employee UIF contribution:** The employee's contribution to the Unemployment Insurance Fund.

Employer contributions and costs: These may be paid by the employer in addition to the employee's salary.

- **Employer UIF contribution:** An additional contribution paid by the employer in addition to the employee's remuneration. It is not deducted from the employee's pay.
- **Skills Development Levy:** Paid by employers who are liable. It is not an employee deduction.
- **Employer-funded benefits:** Any pension, provident-fund or medical aid contribution paid by the employer, where provided.

Benefits and voluntary deductions: These are not automatically provided by every employer and apply only where relevant and authorised.

- **Pension or provident fund:** May be offered as an employment benefit or arranged privately by the employee.
- **Medical aid:** May be partly funded by an employer, deducted through payroll, or paid privately by the employee.
- **Union fees or loan repayments:** Deducted only where applicable and authorised.

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Part A 20min Set the scene (continued)

Place the lesson in context

Formal payroll systems are more common where employees have clear employment contracts and regular working hours. However, statutory responsibilities may also apply to temporary, part-time and wage workers. Small businesses (as featured in the Allan Gray High School Game) may not offer benefits such as pension or medical aid. Employees may need to arrange and pay for these themselves, if they can afford to do so.

A responsible employer should:

- Agree on the rate of pay and working hours.
- Pay employees accurately and on time.
- Record ordinary and overtime hours.
- Make only lawful or authorised deductions.
- Separate employee deductions from employer costs.
- Provide clear information about gross pay, deductions and net pay.

Part B Prep Ensure that learners have access to the AGEC High School Game

What they will need: Any device (phone, tablet, or computer); internet or data to register; your school's details; an email address or mobile number; access to the AGEC website **www.theentrepreneurshipchallenge.com**.

Registration: Learners can register with an email address/mobile number. They have to choose their profile role type as 'High School Learner', complete the registration form and click on "start playing".

Logging into their gaming account: Once their email address or mobile number has been verified, they can log in again at any time on the AGEC website.

Part B 35min Play the game and do the worksheet

With a partner

Explain that the AGEC High School Game represents a small business. Staff may therefore be paid wages rather than receiving a full corporate benefits package.

Learners should:

1. Play through six payday cycles.
2. Identify staff or wage-related decisions.
3. Apply the wage calculations from the lesson.
4. Consider the full cost of employing workers.
5. Record their Business Value.
6. Explain how a staffing decision affected the business.

Teacher note: Do not assume that the game includes PAYE, UIF, pension or medical-aid calculations. Use the game to explore **wages** and **staffing costs**, and the lesson content to introduce the wider South African payroll context.

TIP: At the end of gameplay, it could also be fun to reward the pair with the highest Business Value.

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Part C **5min** **Discussion and Reflection** In pairs and whole class

Hold a class discussion: Learners provide answers to the below questions based on their worksheet answers.

Learner Worksheet Questions:

1. Explain the difference between a salary and a wage.
2. Explain the difference between gross pay and net pay.
3. Explain the difference between:
   a. An employee deduction
   b. An employer contribution
4. Which of the following are statutory payroll items, where applicable, and which are employment benefits?
- PAYE
- UIF
- Pension or provident fund
- Medical aid
5. An employee earns an annual salary of R120 000. Calculate the employee's gross monthly salary.
6. Mpho works 40 ordinary hours at R40 per hour and five overtime hours paid at 1.5 times the ordinary hourly rate. Calculate:
   a. Mpho's ordinary wage
   b. The overtime rate
   c. The overtime pay
   d. The gross wage
   e. The net wage if employee deductions total R150
7. Natasha is in Year 2 of her salary scale:
- Year 1 annual salary: R96 000
- Annual increment: R6 000

   Calculate:
   a. Her annual salary in Year 2
   b. Her monthly salary in Year 2
8. In the AGEC High School Game:
   a. What staffing decision did your business make?
   b. What did the decision cost the business?
   c. How did it affect your Business Value?

Additional questions for discussion

- Why must employee deductions and employer contributions be kept separate?
- Why should employees not assume that every employer provides pension or medical-aid benefits?
- Why must a small business consider whether it can afford to employ additional staff?

Learners can play the AGEC High School game throughout the year to improve their business acumen.

For more information about AGEC please visit www.theentrepreneurshipchallenge.com or send an email to info@theentrepreneurshipchallenge.com