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Methods of wage payment in cost accounting pdf

There are two basic methods of payment of wages which are payments on time and payment according to results (PBR). The latter is also known as an incentive payroll system. Payment by time: This is the method of age method and most commonly employees are paid based on working hours such as a day a week, and a month instead of output. This is the main difference between this system and the incentive system. Wage rates have been set through negotiations, with reference to local rates, or through job assessments. This method is useful when employees need to do unmatched jobs. This is generally an adopted method for white-collar clerical employment and management. The advantage of payment according to the time rate for employees is predictable and stable income. This breeds a sense of safety by guaranteeing employees a fixed packet. Employees also do not have to argue with the setting of salaries on their remuneration. However, the time rate weakness is that it does not provide any motivation of direct incentives related to rewards to the effort. Payment by results (PBR): Under this method, wages/pay of employees are paid based on the number of items generated by employees in the organization, rather than considering employment done by employees at a certain time. This may go through the following two systems: 1. Straight Piece-Work 2. Different Piece-Work System Straight Piece Work: Under this method, wage payments are made to employees at the uniform rate of each production unit. In other words, in this system, employees are paid a flat price (in money) for each unit or part that is completed, or paid for the time allowed to complete certain tasks. This wage payment method is more suitable where production is a recurring character and is easily divided into similar production units. Different Piece-Work Systems: In this method, wages are paid in relation to J salary per unit of production decreasing by increased production. But, the hourly wage rate is still rising of course, not by proportion to the increase in output. This method applies where effort can be related to standardized, recurrent, and measurable production and work. Balance Method: This method is a combination of time wages and a piece of wage method. In this method, employees are paid a fixed wage based on the time rate with the provision of a piece of wage method. How? This is the same as the minimum rent with the provision of short relocation of work in the event of royalty. If an employee produces less quantity over a period, he is given wages at the time rate and the excess of payment exceeds the rate of the piece considered to be credit. This credit is compensated during the period when he produces more than the time rate wage. Thus, he was given a time wage whether he produced more or less than that, which is the salary of time. This will clearer than the example. Let's say, the time wage is Rs. 500 per week and the salary rate of the piece is Rs. 10 per unit. According to its withdrawal, its wages within 4 weeks of the month will be as shown in the 15.1: Table 15.1: Wages under The Balance Rules: This method ensures employees receive a fixed amount as wages in all cases. From an employee standpoint, this method has to do with work situations where flexible/irregular workflows like docking. This method is also known as the 'debt method'. The National Commission on Labour (NCL) has identified different wage payment methods by employee contributions. This is borne by Table 15.2. The following highlights the two main systems of wage payments. The principals are: 1. Time Rate System 2. Payment by Results. Wage Payment: Principal #1. Time Rate System: Under this system an employee is paid based on the time spent by him, regardless of the output generated. The time unit may be an hour, a day, a week or a month. The formula is: $Wage\ Time = Working\ Hours \times Per\ Hour$ This method is especially appropriate where production cannot be measured in terms of units, the quality of output is very important and a large level of skill is required. The main advantages of this method are: (a) This method is very simple and easy to understand. (b) The employees are provided with a stable income guarantee. (c) It helps average and below average workers. (d) It avoids many complex negotiations required for most incentive schemes. (e) This method gives justice to skilled

workers. The main disadvantage of the system is that it discourages efficiency. Greater supervision is necessary to get the desired output. Wage Payment: Principal #2. Payment by Decision: Under this system an employee is paid based on the quantity of work done without any consideration to the time it takes to carry out the work. The formula is: Wages = Units produced × Per unit Rate This method is especially suitable where production is recurring, measurable in terms of units and the quantity of output is very important because of the time limit. The main advantage of this method is that efficient employees are rewarded by producing more in a certain time, which reduces fixed cost per unit. Problem 1: At a factory, two employees A and D produce the same product using the same material. Their usual pay rates are also the same. They are paid bonuses according to the Rowan System. The time allocated to the product is 40 hours. A takes 25 hours and B takes 30 hours to reduce the product. Product factory costs for A are Rs. 193.75 and for B Rs. 205.00. The factory overhead rate is a rupee per male hour. Find out the normal wage rates and the cost of materials used for the product. Solution: Remuneration A: Let, Wage Rate is W and Material Cost = Factory Cost M = 25 hours. × Re. 1.00 = Rs. 25.00 Saved Time = 40 hours – 25 hours = 15 hours. ... Earnings = 25 W + (15/40 × 25 × W) + 25 = 193.75 ... (i) For B: Factory Cost = 30 hours × Re. 1.00 = Rs. 30.00 Saved Time = 40 hours – 30 hours = 10 hours ... Income 30 W + 10/40 × 30 W + 30 = 205 ... M + 25 W + 15/40 × 25 × W + + × W + 25 = 193.75 M + 30 W + 10/40 × 30 × W + 30 = 205 or, M + 25 W + (75/8) W = 193.75 – 25 M + 30 W + (15/2) W = 205 - 30 or, M + 275/8 W = 168.75 M + 75/2 W = 175.00 or, 25/8 W = 6.25 ... W = 6.25 × 8/25 = Rs. 2 per hour ... Normal rate of wages Rs. 2 per hour Material: Placing W value in equation (i) we get, M+ 275/8 × 2 = 168.75 or, M = 168.75 – 68.75 = Rs. 100 ... Material cost = Rs. 100 Before understanding the wage payment system in cost accounting, know what is Wages? Wages are financial compensation paid by the employer to an employee in exchange for the work done. Payment can be calculated as a fixed amount per completed task or at an hourly or daily basis, or based on a simple quantity of work measured. Wages are part of the expenses involved in doing business. Payments through wages differ in salaried work, where employers pay the amount arranged at a stable interval (such as a week or month) regardless of working hours, with commissions that conditionally pay for individual performance, and with compensation based on the company's overall performance. Salaried workers can also receive tips or rewards paid directly by customers and employee benefits that are not a form of financial compensation. Since pay labor is the most primary form of work, wage terms sometimes refer to all forms (or all forms of finance) of workers' compensation. IMPORTANT FEATURES OF WAGE SYSTEMS Wages are the biggest incentive for workers to perform their jobs sincerely and error-free. Several wage systems have been crammed to meet the needs of both employees and employers. Therefore, the wage system needs to be carefully planned. A system that reduces labor costs per unit while increasing output and giving fair returns to workers will be the most appropriate. The goal of the wage system should be the introduction of fair wages. A good pay system should have the following features: (i) Simplicity: The wage system should be easy to understand and easy to operate. Complex systems can lead to strikes and contradictions and may be a barrier to harmonious employer-worker relations. (ii) Fair to Employers and Employees: This system shall be satisfactory from the point of view of employers and employees. (iii) Guaranteed minimum wage: The system shall guarantee the minimum wage to each employee regardless of the work done by them. (iv) Incentive to work: Sufficient incentives should be given to employees to work hard with caution. Efficient workers should be able to earn more salaries than inefficient workers. (v) Quality output: The system should encourage employees not only to increase the quantity of output but also to improve the quality of output. (vi) Certainty: There should not be any ambiguity in the distribution of salaries. (vii) Compliance with labor laws and nationally: The system should comply with both local labor laws and regulations Country. (viii) Minimizing labor procurement: The system should minimize labor turnover, imbalance and late presence. (ix) Adjustments to price changes: The system often contains provisions for automatic pay increases as the cost of living index increases. (x) Flexibility: The system should combine the flexibility to adapt to changing business conditions. The wage payment system in cost accounting is: SystemPiece Time Rate Differential SystemTaylor's Differential Piece Rate SystemMerrick's Differential Piece Rate SystemEmerson's PlanGantt's PlanGantt's TIME SYSTEM Rate It is another wage payment system in accounting costs. The Time Rate System is otherwise called Time Jobs, Daily Work, Day Wages and Day Rates. It is the oldest remuneration method. The time rate system is that the wage payment system in which employees are paid based on the time spent by them at the factory. Under the system, workers and employees are paid wages based on the time they have worked rather than the amount of output they have generated. Wage rates are set every hour, every day of the week, overnight or monthly based on the nature of the work. The time is the prevalent rate of industry or area. The rate may be either fixed or there may be a progressive pay scale that starts at least and increases to the maximum, in various stages by means of increase. Formula Time Rate Calculation system Current rate calculation is based on employee working hours, i.e. the amount of time spent working together with the amount of work delivered over a certain period of time. And the actual formula that helps calculate the amount by using this time rate system formula is Formula: Wages= Total hourly working hourly X Wage rate per hour. An example of a Time Rate System An employee works for Rs. 20 per hour and he spends a total of around 400 hours in a month 30 days at work. What would be his salary? Calculations under the time rate system. Total working hours = 400 hours, hourly wages = 20 Wages= Total hourly working hours wage rate X per hour. Wages = 400×20 = 8000. Therefore, employees receive a salary of 8000/- on a monthly basis. Head of Time Wage Payment Methods Features Very popular and convenient form of payment. Helpful in the salary functionAll calculations are quite simpleThere will not be a deviation or uncertainty about income or wages focusing more on work as income will be a regular suitability of the Time Pay Payment Method When output or results cannot be assessed or measured Work may be delayed depending on the industry you are working on. When quality of work is given employeesWhen priority has an idea on output quantities When employees are fresher and are in the training period for respected jobs. When trying to reduce the risk of errors or accidents depending on the speed of work of the Wage Payment Method Employee value can be assessed WorkQuality WorkQuality given more important when compared to quantity work. High levels of work monitoring can be achieved bothered and the risk of accidents is high and is out of control. No single employee will have control over the overall Output/Weakness Time Rate System There are a number of advantages and disadvantages of the time rate system, and these advantages and disadvantages create variations for the benefit of the company. Advantages of Time Rate System 1. Simple formulation: The calculation and nature of the time rate system is very simple and easy to understand. It is one of the methods that all company employers can understand. Its measurements and the calculations of this payroll system provide a real overview of the overall time rate system. Therefore, as mentioned earlier, easy and easy to understand and formulated in the company. 2. Easy access: This time rate system is very accessible and that is because of the simple and clear detailed information. The details collected and maintained through this time rate system are very economical. In other words, it is one of the simple methods of understanding the total salary of the company's employees. It makes maintenance records, affordable and clear. Therefore, it is one of the economic methods of calculating wages under the time rate system. 3. Production quality: As with the information provided by the source of different production units, the company performs better with the current rate system. Finally, production quality will increase and employers monitor all withdrawal units without any errors. Therefore, because of the current rate system, the quality of production will improve and it favors the overall development of the company. 4. Fixed salary: Although it comes down to the calculation of salary expenses, the company gets a better profit because of fixed rates. The time rate system incorporates a fixed payroll system because the company that uses it confirms fixed rates per day. And a fixed rate per of these prices helps to boost the company's profits because of the only small amount of profit returns. 5. Increase equality among employees: Because of the time rate system, company employees may feel equal in themselves. Most of the time some companies face certain union problems and if companies incorporate the policy of this time rate system, then it's likely that the issue of inequality will be much lower among company employees. Therefore, all employees of the company experience equality among them. Time Rate System Weakness: 1. It ignores efficiency: As in the formulation of the current rate system, the actual focus of the current rate system is on the part of the production in which the employee works according to the specific number of times and production. The most important work delivered by employees will be based on their daily production volume And it is clear that it completely ignores the efficiency of its employees, because of which employees deserve not to be appreciated for their work. 2. Loss of skilled workers: As described above, the company works according to certain production rates and it completely ignores the efficiency of its employees and therefore, company employees decide to leave the company. This is one of the disadvantages of the current rate system. Therefore, the company suffers from the loss of their skilled workers due to the method of wage calculation time rate. 3. Inefficiency: Employees and company employees finally understand that companies expect a certain level of production from them not the quality of work from them. Such ignorance gives rise to inefficiency amongst the company's employees. Therefore, all of the company's staff decided to work according to their specific production expectations and they tried not to bring efficiency in their work because their efficiency would not reward them for their excellent delivery of work. 4. Conflict of thought: Most of the time the company combines some kind of rules and regulations within the company without consulting with employees of their companies. And when it comes to wage systems and payroll systems, then company employees will definitely have some conflicts of thought. This conflict of thinking creates a difference in communication between employees and employers of companies that are totally bad for the development of the company. 5. Production costs: Since the company prefers its employees to provide a predetermined amount of production and company employees meet their daily production units, then there is a possibility that the company may increase production output. The increase in production output led to rising production costs. Therefore, this can effectively affect the company as this time rate system calculates wages. 6. Increased supervisory costs: When it comes to the company's supervisory costs may end up in distress because of the current rate system. Therefore, companies need to reduce their supervisory costs so that they can recover the company's position. And to make that happen, companies need to reduce from the time rate system so they can reduce the cost of supervision ultimately. Variations of the time rate system There are several variations in the time rate system with the view to introduce incentive elements in the time wage. These methods are: (a) High Wage Rates: Under this payroll system, employee time rates are set at a higher level than the industry average wage rate. Wage rates are fixed by hour or day. Higher rates are given to attract efficient employees. Overtime work is not allowed under this system. Stable working conditions are created to enable employees to achieve standard output over a frequent period of working time. Those who don't to achieve the standards accounted for the scheme. (b) Graduation Time Rate: Under this method, the wages we pay at times vary with changes in the cost of living index. The rate of wage per hour or day changes with changes in the general cost of living index. The system is prioritised by workers during price increases as their wages are increasing with rising cost of living indexes. In India, the base pay rate usually remains fixed and employees are paid a dear allowance that goes up with the cost of living. (c) Different Time rates: Under this salary plan, different wage rates are set for different level efficiencies. Normal time rates are paid to employees until a certain percentage efficiency. Rates gradually increase beyond standards. Therefore, higher rates give to employees efficiently in recognition of their efficient performance. PIECE RATE SYSTEM It is another wage payment system in cost accounting. A piece rate system is a wage payment system where employees are paid based on the output unit produced. The piece rate system does not assume the time spent by employees. A piece rate system is a method to reward employees according to the number of units produced or completed work. It is also known as payment by decision or output. The piece of rate system pays wages at a fixed piece of rate per unit of output produced. The total salary earned by the employee is calculated using the following formula. Total Wages Earned= Total output units generated x Wage Rate per unit of output. OR Total Wages Earned= Output x Piece-rate Salary is also sometimes referred to as Payment by the Decision System. The complementation of the Following Piece rate pay system methods are some cases where the piece rate system method can be successfully used. When the type of work recurring in natureWhen the quantity of output can be assessed the quality of goodsWhen should be measured Employees are paid a reasonable rate. When the rate of a fair and acceptable piece is setTo creates discipline among time card workers introducedRates should be adjusted depending on the change in the price level of adequate Resources present for the increase in production of the Piece Rate Salary System Type there are mainly 2 types of piece rate systems. They are 1. Straight piece rate system 2. Different piece rate systems Straight piece rates: This is the type of wage system where wages are paid to employees based on output or work done. Differential piece rate system: This is a type of wage system where wages are paid to employees after work is completed. High piece rates are offered to employees who complete work within a certain period of time and a low piece rate for those who exceed the time given for the task. Advantages of Piece Rate Salary System 1. Increase all employees: One of the biggest and key advantages of this piece of rate pay system is that it helps improve efficiency employees who keep them busy all the time. They are aware of the fact that they get paid or not dependent on their own work output. If they fail to work efficiently and quickly then that will bring their own downs. Having an efficient employee in the company not only ensures that the work is done quickly but it also ensures that the company is rising from strength to strength slowly making its way to the top. 2. They do not always need any kind of micromanagement: In the time rate system, employees need to have constant oversight, because otherwise they will try to drag the task as long as possible so they can earn as much money as possible. Why would they try to get tasks faster when they can earn more money to do anything at all? Such tactics are often used by workers, where they take employers to board. In this piece of rate plan system, often employees take it to do the task as fast as they can and they have their own sense of responsibility. 3. It is very easy to calculate because of the employee: As mentioned above, the simple formula used to calculate employee income makes things relatively easy for everyone concerned. In the time rate system, keeping tracks for the number of hours of work performed by each employee becomes a very difficult task indeed and often there is no evidence or accountability. In this system, everything is very clear and transparent, because if the task is done, then the finished product will serve as proof. Some of the calculations involved mean there is less scope for errors as well as errors. 4. Employees do not end up washing anytime: In this day and age, time is the essence and time means money. If employees take their own sweet time completing the task at hand then the only one that will suffer is the company. The company will suffer on two parts, first they have to keep paying employees more money because they take a lot of time with work and secondly, because they won't have any products for sale because employees work so slowly. The main advantage of a system like this is that workers are rarely idle and they are always busy and work hard because they can get good results. 5. They are encouraged to think of a better working method: Due to the fact that employees know that the more output they produce, the better thing is for them and it is for this reason that employees always have their heads in the game and try to figure out new and innovative ways to improve their output. Doing things in this way has biennial benefits in the past it increased the amount of money that employees could make and secondly, it increased the profits that companies could make. If everyone thinks of innovative ways to get the job done then the company is bound to make a big mark on itself. 6. Number of product products is higher: Another major advantage of a system like this is that the number of products produced is very high and because the number of products produced is so high, production costs become lower for the company. In other systems, the likelihood of costs becomes so high because employees take a lot of time to complete even one product. So despite the heavily demand, the supply is very limited. Here the demand and supply are both high allowing the company to reap the maximum benefits and ensure all customers are happy and satisfied. 7. Employees set deadlines for themselves: Ultimately, rather than bosses setting deadlines for employees, employees set their own deadlines and sometimes finish tasks before a specified time. Everything depends on them, including the money they make so that's why they take their job very seriously and also work from home when they think that they are running lack of time. Disadvantages of Piece 1 Rate Salary System. Employees pay more attention to quantity and not quality: As is often said, there are two sides for each story, so although there are a number of system advantages, there are also disadvantages. The main disadvantage of a piece's salary like this is that employees try too hard to finish the task at hand, that quality of work suffers and they submit substandard work. In attempts to make more money, they often cut corners and even give up incomplete work hoping that this will be undetectable. Such things greatly affect the reputation and name of the company concerned. 2. Planning for the future becomes quite difficult: As mentioned above, employees often decide their own deadline and they complete work when they can, it is for this reason that there is no inconsistencies in the output of work and it becomes a challenging task enough to plan the future of the company or even make the proper production schedule. 3. Finding and fixing the cost of a reasonable piece is a fairly difficult task: Another big disadvantage of this system is that employees and employers find it very difficult to set reasonable costs for finished products. Shrinking a figure that both parties will be happy with the rather challenging and time-consuming task that requires hours of talk, convincing and negotiation. 4. It puts great pressure on all employees: In such a system employees try their best to make as many products as possible. In attempts to try to make more money, they often end up overperformed themselves. Do too much work without taking any breaks bound to take its toll on the health of these workers. As a result, they may come to such as stress, heart problems or even high blood pressure. 5. Sometimes more oversight is required: As mentioned above, the advantage of the system is that employees work independently and do not require micromanaging. But sometimes on trial trying to work faster, employees submit bad quality work and also use low-quality products. With this in mind, finished products require more scrutiny and often many products are rejected because they are not suitable for sale to customers. TAYLOR DISTINGUISHES PIECE RATE SYSTEM It is another wage payment system in cost accounting. Taylor's Differential Piece-Rate system was introduced by F.W. Taylor, who believes that employees should be paid based on their level of efficiency. Under this method, with the help of Time and Movement Review, the standard time for completion of employment is set based on the performance of assessed employees. Taylor continues the assumption that through time studies and movements it is possible to set standard time to perform certain tasks. To encourage employees to complete work in standard time, Taylor supports two piece rates, so that if an employee does work in or less than standard time, he is a higher piece rate pad, and if he doesn't finish the job in standard time, he's given a lower piece rate. EXAMPLE: There are two piece rates, a person who reaches standard output or exceeds it, is paid 120 percent of the piece's rate. Although the person who failed to reach the standard output level, paid 80 percent of the rate of the piece. The minimum wage of an employee is not guaranteed. Standard Output = Rate of 200 units per unit = Rs 10 paise Case (1): Output = 220 units Income = 220 x (120/200) x 0.1 = Rs 13.20 Case (2): Output = 180 units Income = 1 x x (80/200) x 0.1 = Rs 7.20 It is clear from the above example that employees are paid higher rates (Rs 13.20) for higher production (220 units) and low rates (Rs 7.20) for low production (180 units). Features of Taylor's differential piece rate system (i) This system is based on the pace of the piece. (ii) Standard output for time units are pre-determined based on time and movement review. (iii) There are two piece rates, one lower and another higher. Those who reach standard or exceed it, earn wages at a higher piece rate (for example 120% of the piece rate) and those who fail to achieve it, get wages at a lower piece rate (e.g. 80% of the piece rate). (iv) The minimum wage for an employee is not guaranteed. Merit It makes a difference between efficient and inefficient employees. Lazy and inefficient workers are fined, while efficient employees are rewarded. The basis of this system is scientific. It's based on the right working studies. It helps detect and eliminate inefficient workers. Demerits (1) An employee lost standards even with a narrow margin of heavily fined. (2) It is more mechanical and less believer. (3) The trade unions oppose this plan. (4) It may lead to dissatisfaction among employees. MERRICK PACE SYSTEM DIFFERENTIATION It is another wage payment system in cost accounting. Employees are paid a straight rate of up to 83% of standard output, 10% above normal rate for between 83% – 100% and 20% above normal rates to produce more than 100% standard output. Here, too, the minimum wage of employees is not guaranteed. EXAMPLE Standard Output = 200 units Piece-rate = 10 paise Case (1): Output = 160 units Efficiency = 160/200 x 100 = 80% Since efficiency is less than 83%, employees are paid only the base rate, i.e. 10 paise. Therefore, revenue will be Rs 8 (80 x 0.1). Case (2): Output= 180 units Efficiency = 180/200 x 100 = 90% Because efficiency is more than 83% but less than 100 percent, 10% exceeds the normal rate paid to employees. Thus, Income = 90 x 110/100 x 0.1 = Rs 9.9 Cases (3): Output = 220 units efficiency = 220/200 x 100 = 110% Because efficiency is 110%, 20% above the normal rate paid to employees. Thus, Earnings = 110 x 120/100 x 0.1 = Rs 13.30 Merit (1) This plan is liberal for efficient employees. Workers who produce more, get their wages at a growing rate. (2) No sudden pay rise at some point. (3) It has all the merits of Taylor's Differentiation plans. Demerit (1) The system does not guarantee the minimum wage for employees. (2) There is a wide gap in the slab. All employees who produce 1% to 83% of standard output are considered sub-standard workers and are paid at the same piece rate. (3) An employee loses the standard even by a narrow margin punished heavily. (4) It is more mechanical and less believer. (5) Unions oppose this plan. (6) It may lead to dissatisfaction among employees. EMERSON EFFICIENCY PLAN It is another wage payment system in cost accounting. The plan was named after Harrington Emerson, innovators of this plan. Under emerson Plan, the standard time for completing the task is set where the actual performance of employees is measured. Employee efficiency can be determined by dividing the time taken by standard time. In Emerson's Plan, employees are only paid time rates for efficiency of up to 67%. At 100% efficiency, employees are paid a time wage, plus a 20% bonus on wages earned. Employees are paid one percent additional bonus for each additional one per cent efficiency plus after standard. EXAMPLE Standard output in 10 hours = 200 units Per unit Rate = Rs 2 Cases (1): Output in 10 hours = 100 units of Efficiency = 50% (100/200 x 100) As efficiency is below 67% employees are entitled to only time salary, Thus, Income = 10 x 20 = 20 Cases (2): Output in 10 hours = 200 units of Efficiency = 100% (200/200 x 100) Because efficiency is 100%, then employees are paid a time wage, plus a 20% bonus on wages earned. Therefore, Earnings: Time Wage = 10 x 2 = Rs 20 Bonus = 20/100 x 20 = Rs 4 Total income = Rs 24 Cases (3): Output in 10 hours = 260 units Efficiency = 130% (260/200 x 100) For 10% of employees will get 20% bonus up plus one percent additional for each percent increase in efficiency, which is 30%. Therefore, a bonus amount of 50% of the time wage is paid to the employee. Earnings: Income: wages = 10 x 2 = Rs 20 Bonus = 50/100 x 20 = Rs 10 Total Income = Rs 30 Advantages (Merit) Emerson Efficiency Plan 1. Beginners are encouraged to work hard under this plan. 2. Proper attention is paid to various types of employees. 3. It is easy to understand Emerson's Plan. 4. It has a rational determination of efficiency. 5. The calculation of efficiency is logical. 6. This plan can be used for individual tasks and group tasks. Disadvantages (Demerits) Emerson Efficiency Plan 1. Labor costs were increased due to low payouts in the up-ance levels. 2. There was a low bonus rate initially. 3. It is a complicated plan as far as the calculations are concerned. 4. It takes a lot of clerical work. 5. Under this plan, management can be sedated to set very high standard output levels. GANTT TASK AND BONUS SYSTEM It is another wage payment system in cost accounting. H.L. Gantt, Taylor's ally, drafted the scheme based on Taylor's plans. Under the scheme, fixed time rates are guaranteed. Output standards and time standards are established for the performance of each job. Employees complete standard work in standard time or shorter time receiving wages for standard time plus bonuses! Bonuses are percentages, varying from 20 to 50, wages for standard time. When an employee fails to change the required quantity of the product, he only gets a time rate without any bonuses. Standard Rate Sample: \$2 per hour Standard hours for 10-hour work. The bonus is 20% of the standard time. I. Employee has done work within 12 hours. II. Employees have been doing work within 10 hours. III. Employees have done the work within 8 hours. The first employee should get at a rate of \$2 per hour wage for a 12-hour job, which is \$ 24. The second worker should earn a 10-hour wage at the rate of \$2 an hour which is \$20 plus 20% of the 10 hours which is for 2 hours @ 2 or \$4, so in aggregate 24. We can state that he must be compensated for 12 hours. 3rd workers who do work within 8 hours must get a wage for 10 hours as it is the standard time set for employment plus 20% of 10 hours. So, the compensation is 10 × \$2 + 2 × \$2 which is, \$20 + 4 = \$24 per hour. So, with the reduction in time spent on jobs, an hour's wage increases and therefore, the total income per day increases. So, the system is also termed as a Progressive Rates system. So, it is a time rate system for sub-standard employees and piece rates for standard and standard workers above. Merit (1) It is simple and easy to understand. (2) It guarantees day wages and also provides incentives for efficient employees. (3) Employers benefit from reduced benefits with higher output. Demerits (1) If the minimum wage is kept high due to union pressure, there will be not many for better achievement. (2) Labor costs are high for low production and also standard output upto because guaranteed days are guaranteed and bonuses. (3) The Scheme is prioritised by employees who are truly inefficient as well as by the most efficient employees. Employees reasonably cut the figure sorry. JOIN THE CHANNELS AT TELEGRAM ON LINKEDIN By : commerceists trade

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