

The Panda Math Tutor

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Money: Earning, Borrowing, Investing & Trade

IGCSE Mathematics

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Contents

1	Introduction	2
2	Earning Money	2
2.1	Key Vocabulary	2
2.2	Wages and Overtime	3
2.3	Deductions and Net Pay	5
3	The Percentage Toolkit	6
3.1	Finding a Percentage of an Amount	6
3.2	Percentage Change	6
3.3	Decimal Multipliers	7
3.4	Reverse Percentages	8
4	Simple Interest	9
5	Compound Interest	11
5.1	Simple vs. Compound Interest: A Direct Comparison	12
5.2	Compounding More Frequently Than Once a Year	12
6	Repeated Percentage Change: Growth, Depreciation and Decay	14
6.1	Finding the Number of Periods Using Logarithms	15
7	Borrowing Money: Loans, APR and Hire Purchase	17
7.1	Key Vocabulary	17
7.2	Calculating the Total Cost of Borrowing	17
8	Buying and Selling	20
8.1	Profit and Loss	20
8.2	Discount	21
8.3	VAT (Value Added Tax)	22
8.4	Best-Buy Comparisons	23
9	Foreign Currency Exchange	25
9.1	Commission on Currency Exchange	27
10	Common Traps and Pitfalls	28
11	Summary	30
12	Additional Resources	33
12.1	Tips for Success in IGCSE Exams	33
12.2	Common Exam Question Types	34

1 Introduction

Note

Financial mathematics is one of the most practical areas of the IGCSE course. The skills you build here — working with percentages, applying interest formulas, and comparing costs — are directly relevant to everyday decisions about money.

This chapter covers the following topics:

- Understanding how wages, salaries, overtime, and commission are calculated
- The difference between gross pay and net pay, and how deductions work
- The percentage toolkit: calculating percentages, finding percentage change, using multipliers, and reversing a percentage
- Simple interest: a fixed charge on the original sum
- Compound interest: interest that accumulates on itself over time
- Repeated percentage change applied to growth, depreciation, and decay
- The true cost of borrowing: loans, APR, hire purchase, and credit
- Buying and selling: profit, loss, percentage profit, discount, and VAT
- Best-buy analysis: comparing value across different pack sizes or deals
- Foreign currency exchange, including the effect of commission charges

2 Earning Money

2.1 Key Vocabulary

Definition

The terms below describe the different ways in which income is earned and recorded:

- **Gross Pay:** The full amount of money earned over a pay period, *before* any money is deducted. Gross pay is what an employer commits to paying.
- **Net Pay:** The amount of money a worker actually receives into their bank account, *after* all compulsory and voluntary deductions have been removed. Also called take-home pay.
- **Wage:** An income structure where the worker is paid a set amount *for each*

hour they work. The total weekly or monthly wage varies depending on hours worked.

- **Salary:** A fixed total sum agreed for a full year's work, paid out in equal instalments (typically 12 monthly payments regardless of the number of days in each month).
- **Overtime:** Hours worked in addition to the standard contracted hours. Employers usually pay a higher rate for these hours as compensation.
- **Commission:** An earnings structure, or a supplementary bonus, linked directly to the value of sales a worker generates — typically paid as a percentage of those sales.
- **Deductions:** Money removed from gross pay before it reaches the worker. The three main categories are income tax, National Insurance contributions, and pension payments.
- **Bonus:** A one-off or periodic payment given on top of standard pay, often linked to individual or company performance.

2.2 Wages and Overtime

Key Formula

$$\text{Basic Wage} = \text{Hourly Rate} \times \text{Number of Hours Worked}$$

$$\text{Overtime Pay} = \text{Overtime Hourly Rate} \times \text{Number of Overtime Hours}$$

$$\text{Gross Pay} = \text{Basic Wage} + \text{Overtime Pay} + \text{Commission} + \text{Bonus}$$

$$\text{Net Pay} = \text{Gross Pay} - \text{Total Deductions}$$

Note

Standard overtime rate conventions:

- **Time-and-a-half:** Each overtime hour pays $1.5\times$ the normal hourly rate.
- **Double time:** Each overtime hour pays $2\times$ the normal hourly rate.

For instance, a standard rate of £12.40/h gives a time-and-a-half rate of $\text{£}12.40 \times 1.5 = \text{£}18.60/\text{h}$.

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