

Choosing the Best Option

ACTIVITY Background

You need to hire a new salesperson at TSN and you think you've found just the right person for the job. Her name is Zora Whitman. Before Ms. Whitman will accept the job, though, she wants to negotiate a salary package. Salespeople at TSN are paid in one of two ways: **base salary** alone or **base salary plus commission**. A base salary is a specific amount paid every week. Commission is money salespeople earn based on how much they sell.

You've come up with two salary packages to offer Ms. Whitman:

Option 1	Option 2
Base salary of \$480 per week	Base salary of \$200 per week plus commission of \$35 for every sale made.

How much will each option cost TSN? Compare them based on different numbers of sales.

For Option 1, what would Ms. Whitman's weekly earnings be if she were to make zero sales? _____

Fourteen sales? _____

For Option 2, what would Ms. Whitman's weekly earnings be if she were to make zero sales?

Use the following formula:

$$\text{Total Weekly Earnings} = \text{Base Salary} + (\text{Commission} \times \text{Number of Sales Made})$$

$$\begin{aligned} \text{Total Weekly Earnings} &= \$200 + (\$35 \times 0) \\ &= \$200 + 0 \\ &= \$200 \end{aligned}$$

Fourteen sales? _____

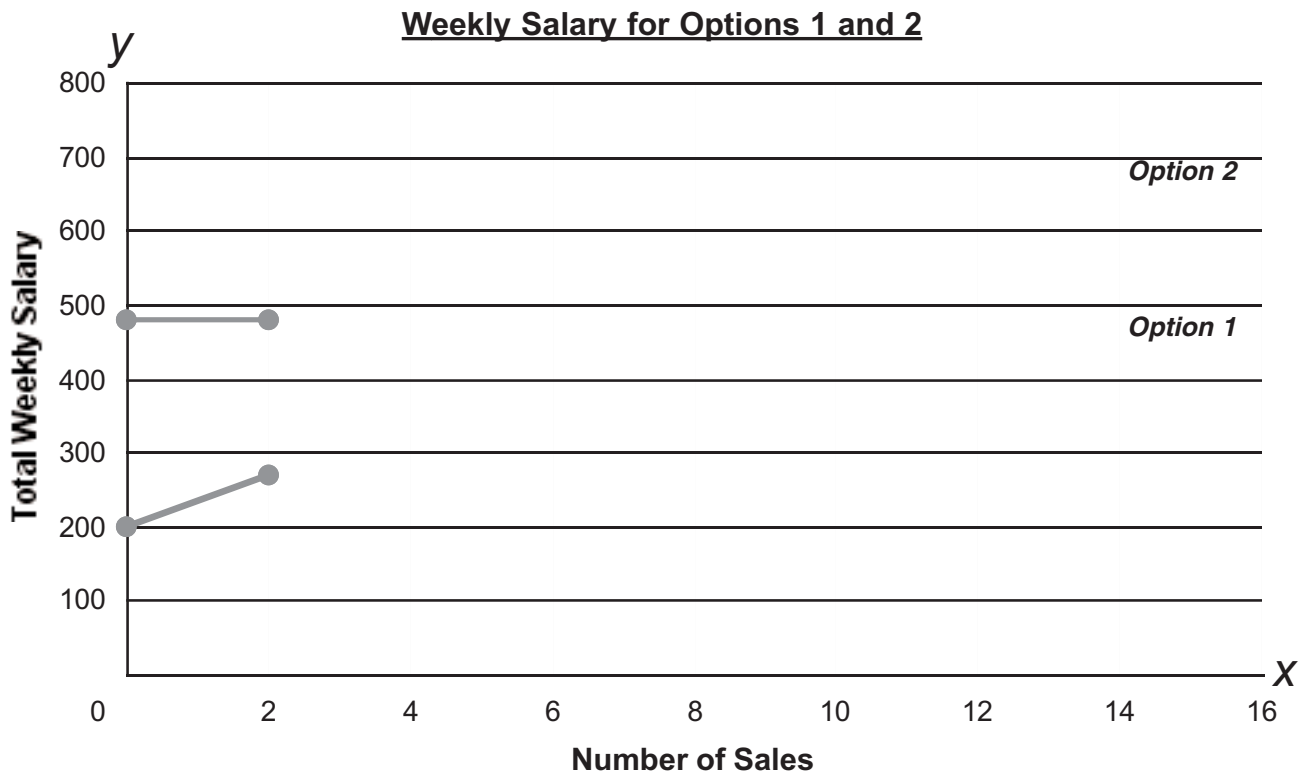


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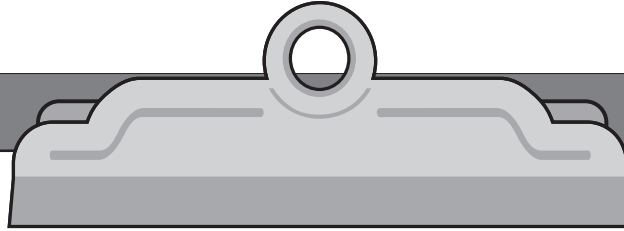
Complete the table below. Use the additional space next to the table to calculate the total weekly earnings for the remaining numbers of sales.

Number of Sales	Total Weekly Sales	
	Option 1: Base Salary	Option 2: Salary + Commission
0	\$480	\$200
2	\$480	\$270
4		
6		
8		
10		
12		
14		

Plot points on the graph below to show Ms. Whitman’s total weekly earnings under Option 1 and Option 2. Connect the points to make a line for each option and label each line accordingly. For each option, the first two points are plotted and connected for you.



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Answer the following questions:

Which salary option do you think Ms. Whitman should take? Why? _____

Under what circumstances is Option 1 a better deal for Ms. Whitman? _____

At what point would Ms. Whitman earn more money with Option 2 than with Option 1? _____

What are the benefits for TSN of paying salespeople a base salary plus commission? _____
