

Calculating Commission

What is a commission?

A commission is an amount of money that someone is paid when they sell something. It is usually a percent of the sale that has been made. Many people work “on commission.” Sales persons and real estate agents often work on commission.

How can I calculate a commission?

Calculating a commission involves using percentages and mathematics. Usually, you will hear about a percent that a person will make for a commission. Then you take the sale price or the total sales and use the percentage to calculate the commission.

Let’s look at an example to better understand this:

Example

Jeff works as a real estate agent. He has just sold a house that was \$230,000. If Jeff makes a 3% commission, how much money did he make when he sold the home?

To figure this out, we are going to need to multiply. We want to find a percent of a number. When we find a percent of a number, it means multiplication. Our key word is “of”. When you see the word “of” in a problem it means multiply.

The first thing that we need to do is to convert the percentage to a decimal.

Do you remember how to convert percentages to decimals?

A percentage is a part of a whole just like a decimal is a part of a whole. Because of this, we can easily convert percentages to decimals and decimals to percentages.

A percentage is “out of 100.” When we have a percentage, we can write it as a decimal over 100. Let’s do that with 3%.

$$\frac{3}{100}$$

Now we can convert this fraction to a percentage. Fractions, decimals and percentages are all related.

$$\frac{3}{100} = .03$$

We could also do this another way. We can drop the percent sign and move the decimal point two places to the left. This move represents the hundredths place because it moves the decimal point two places and the second place is the hundredths place. Either way, you will get the right answer.

Now, let's go back to our problem.

We know that we are going to multiply. We have converted 3% to a decimal. Now we can write our problem that we are going to solve:

Example

$$\$230,000(.03) = \$6900.00$$

Jeff made \$6900 for selling this house.

You can understand why realtors want to sell expensive homes. The more expensive the home the more money that they can make. It also explains why a percentage point can make such a big difference in a commission.

Let's look at what would have happened if Jeff made 3.5% instead of 3%.

Example

$$230000(.035) = \$8050$$

Jeff made a lot more money by simply adding one-half a percent.

Calculating Commission Worksheet

Directions: Calculate the commission earned on each of the following sales.

1. A house sold for \$130,000. The real estate commission was 4%. How much did the realtor make from the sale?
2. A house sold for \$350,000. If the real estate agent makes a 5.5% commission. How much did he/she make from the sale?
3. If the selling agent receives a 2% commission from the sale of the home in problem #2, how much did the selling agent receive?
4. A salesperson earns a 10% commission on total sales for the year. If the total sales for the year were \$550,000, how much money did he/she make?
5. A salesperson earns a base of \$5000 plus commissions. How much did he/she make for the year if they earned the base plus 12% commissions on \$500,000.
6. A real estate agent earns 11% commission on a home that sells for \$250,000. How much did he/she earn on this home?
7. A mortgage broker earns 2.5% from the same sale. How much did he/she make?
8. If the selling agent makes 4% on this sale, how much does he/she make in commission?
9. After all of these commissions have been calculated, what is the total amount paid out in commissions?
10. What is the profit left on the home after they have been paid out?