**Provident Fund Calculation**

**Problem:** An airline offers provident fund (PF) scheme for its full-time employees. One of its employee’s net salary is TK 80,000/month where basic pay is 65% of the net salary**.** He has completed 3 years of service with the firm and decided to quit.

Calculate his total PF money accumulated after 3 years of work using the information listed below. Show your full calculation with year-wise breakdown. **Make sure to apply vested scheduled if a appropriate.**

* Company offers 50% on basic pay as house rent
* Medical allowance is TK 2000 per month
* Employee PF deduction is 10% of basic per month
* Employer offers equal match (100%) against employee’s PF contribution
* It offers standard 12% increment on basic pay for every employee annually. This is primarily given to match inflation and cost of living adjustment (almost every employee will enjoy this increment every year).

Vested Schedule:

**YR** **Match**

0 to less than 1 0%

1 to less than 2 40%

2 to less than 4 80%

4 and above 100%

**Solution:**

Basic pay per month for Year 1 is = 80000 X 65% = 52,000

PF for year 1

Employee contribution = 52000 X 10% X 12 = 62400

Employer contribution = Same as above = 62400

NB: Make sure to multiply with 12 for full year

Total PF saved on year 1 will be = 62400 + 62400 = 124800

PF for Year 2

**Basic** pay now will become 52000 + 12% of 52000 = **5824**0

NB: Remember his basic will be increased by 12% each year

Employee contribution = 58240 X 10% X 12 = 69888

Employer contribution = same as above = 69888

Total PF saved on year 2 will be = 69888 + 69888 = 139776

PF for year 3

Basic pay now will be 58240 + 12% of 58240 = 65228

Employee contribution = 65228 X 10% X 12 = 78274.56

Employer contribution = same as above = 78274.56

Total PF saved on year 3 will be = 78274.56 + 78274.56 = 156549.12

Now look at the Vested Schedule. He worked for 3 years and then he quit. That means he is eligible to get **80% of Employer’s** contribution.

PF after 3 years will be

**Employee contribution** = 62400 + 69888 + 78274.56 = **210563**

**Employer contribution** will be 80% of 210563 = **168450**

He will be eligible to receive 210563 + 168450 = 379012 Taka as PF.