

Interactive Exercise #2

Course 12: IRS Reasonable Executive Compensation

Again, you will use ERI's **Executive Compensation Assessor**. You've already entered this information (see Interactive Exercise #1) or if need be, enter it again:

Position: Chief Executive Officer
Industry: SIC Code 3080
Area: United States Average
Revenue: \$2,200,000
Salary Planning Date: 1/1/2027

When the default *Individual Profile* screen displays, you will press the **Survey & Proxy Analyses** tab.

Executive Compensation Assessor

Individual Profile | Benchmark List | **Survey & Proxy Analyses** | Peer Analyses | Advanced Reports | Total Compensation | Da

Organization Name (Optional)
Your Organization Name

Job Title
Chief Executive Officer

Browse

Area
United States Average

Browse Averages

Industry
Plastics

eSIC Code: 3080

NAICS: 325991

usSEC: 3080

Browse

Analysis Based on
Revenue

2,200,000

Salary Planning Date
1/1/2027

Chief Executive Officer

ERI: 1 | eDOT: 189117026 | SOC: 111011

Compensation Type: Base Salaries Pay Period: Annual \$ Revenue Percentiles

Revenue	10th Percentile	25th Percentile	Mean	75th Percentile	90th Percentile
22,000,000	189,625	282,130	391,216	523,308	643,565
11,000,000	162,668	242,023	335,646	448,915	552,076
2,200,000	95,222	141,674	196,610	262,784	323,172
1,100,000	72,285	107,548	149,328	199,486	245,328
1,000,000	69,557	103,489	143,704	191,956	236,068

Survey Description eDOT Description

Job Title: Chief Executive Officer

Alternate Titles:
[Chairman of the Board & CEO](#), [President](#), [Executive Director CEO](#), [CEO](#), [Top Executive](#), [Top Executive Officer](#), [Top Group Executive](#)

Overview:
Plans, develops, establishes, and oversees interpretation and implementation of policies and objectives of organization in accordance with board directives corporation charter.
Responsible for the profitability of the entire organization.

In the *Percentiles* dropdown, select **Median** if it is not already selected and confirm the *Salary Planning Date* is 1/1/2027.

The *Survey & Proxy Analyses* table gives total compensation and the total maximum reasonable compensation on the planning date for a CEO for this type of organization.

The total median compensation is **\$533,339**

Survey & Proxy Analyses

Analyses include survey data from private and public companies, as well as publicly disclosed proxy data

Add Job

		Percentiles									Values in Unite		
		Median											
✕	Job Title	Estimated Survey Median									Maximum Reasonable Comp.		
		Salary ?	Bonus ?	Non Equity ?	Total Cash ?	Stock Awards ?	Option Awards ?	Pension ?	Other ?	Total ?	Salary ?	Bonus ?	Total Cash ?
✕	CEO	197,820	46,899	35,581	243,289	102,647	113,319	19,949	17,124	533,339	364,477	258,078	622,555

If necessary, scroll to the right to see *Maximum Reasonable Compensation*.

In this section of the table, total cash is **\$622,555**. Andy's total compensation with bonus would be \$106,000 + \$472,500 = \$578,500. This is below the maximum reasonable level, so Andy does not need to make any adjustments.

Survey & Proxy Analyses

Analyses include survey data from private and public companies, as well as publicly disclosed proxy data

Add Job

		Percentiles									Values in Unite		
		Median											
✕	Job Title	Estimated Survey Median									Maximum Reasonable Comp.		
		Salary ?	Bonus ?	Non Equity ?	Total Cash ?	Stock Awards ?	Option Awards ?	Pension ?	Other ?	Total ?	Salary ?	Bonus ?	Total Cash ?
✕	CEO	197,820	46,899	35,581	243,289	102,647	113,319	19,949	17,124	533,339	364,477	258,078	622,555

To get the maximum reasonable compensation for Loren, the CFO, select **Add Job**.

Survey & Proxy Analyses

Analyses include survey data from private and public companies, as well as publicly disclosed proxy data

Add Job

Percentiles

Median

Values in Unite

	Job Title	Estimated Survey Median									Maximum Reasonable Comp.		
		Salary	Bonus	Non Equity	Total Cash	Stock Awards	Option Awards	Pension	Other	Total	Salary	Bonus	Total Cash
	CEO	197,820	46,899	35,581	243,289	102,647	113,319	19,949	17,124	533,339	364,477	258,078	622,555

The Browse Jobs box displays. In the Search field enter CFO and when it is highlighted in the list of job titles, press the OK button.

Browse Jobs

Search

CFO

Search by

Job Title

Filter table by

ERI Jobs

AI Job Search

Advanced Search

Hybrid Jobs

[Suggest a Title](#)

Select Job

Job Title	eDOT Code	SOC Code	ERI Code	Salary By Level
CFO	189117054	113031	89106	No
CFO Controller	189117054	113031	85511	No
Chairman of Board (Outside Member)	189117113	111011	44270	No
Chairman of the Board & CEO	189117026	111011	44269	No
Chief Executive Officer	189117026	111011	1	No
Chief Financial Officer	189117054	113031	6	No
Chief Human Resources Officer	189117085	113121	5	No
Chief Information Executive	189117096	113021	9238	No
Chief Information Officer	189117096	113021	98767	No
Chief Information Technology Officer	189117096	113021	86147	No

1 of 91 jobs have been selected.

Job Description

Develops the financial well-being of an organization by providing financial projections and accounting services, preparing growth plans, and directing staff.

Directs and coordinates financial affairs according to financial principles and government regulations.

Plans financial operational strategies by forecasting capital, facilities, and staff requirements; identifying monetary resources; and developing action plans.

Develops, directs, and provides financial analysis of operations by evaluating trends, studying revenue opportunities, establishing critical measurements, accumulating resources, and resolving problems.

Cancel

OK

Now, in the *Survey and Proxy Analyses* table, you can see that the maximum reasonable cash compensation for a CFO would be **\$410,276**.

Since Loren does not work full-time, this value needs to be adjusted: $\$410,276 \times 0.625 = \$256,423$. Her cash compensation with bonus that year would be: $\$62,000 + \$202,500 = \$264,500$. This is above the maximum reasonable amount and should be reduced.

Survey & Proxy Analyses

Analyses include survey data from private and public companies, as well as publicly disclosed proxy data

+ Add Job

Percentiles

Median

Values in Unites

	Job Title	Estimated Survey Median									Maximum Reasonable Comp.		
		Salary	Bonus	Non Equity	Total Cash	Stock Awards	Option Awards	Pension	Other	Total	Salary	Bonus	Total Cash
✕	CFO	145,745	21,364	27,683	166,150	53,031	78,308	11,908	9,204	347,243	261,551	148,725	410,276
✕	CEO	197,820	46,899	35,581	243,289	102,647	113,319	19,949	17,124	533,339	364,477	258,078	622,555

Only Loren would have to reduce her bonus for the year, so she does not exceed maximum reasonable compensation and incur higher taxes and penalties on the company.

This ends the tutorial portion of this exercise. Please close this PDF. Then press the **Next** button on the *Problem Statement* page to continue.