

Payroll Guide - Practice Test 1

- 1 Being nonexempt means that:
 - a. The employee is subject to FLSA overtime provisions.
 - b. The employer does not have to withhold federal income tax, social security tax, or Medicare tax.
 - c. The worker is an independent contractor.
 - d. Both b and c
- 2 Use the wage-bracket method to calculate FIT withholding on Steve's weekly paycheck of \$605. Steve is single with one allowance.
 - a. \$63
 - b. \$75
 - c. \$68
 - d. \$57
- 3 Which of the following is true if Steve also receives a \$100 bonus?
 - a. You must add the \$100 to his regular wages before you calculate FIT withholding.
 - b. Using the flat rate, you would withhold \$25 in federal income tax from this bonus.
 - c. If you use the aggregate method, you will withhold the same from his bonus as you would if you use the supplemental method.
 - d. If paid with regular wages the supplemental rate must be used for all wages.
- 4 Francine's employer contributes \$175 per month to her cafeteria benefit plan. Since Francine's husband has medical/dental coverage through his employer, she wants to take the \$175 per month in cash. Which of the following statements is true?
 - a. This option is not available; if the amount is not spent, it is lost.
 - b. The \$175 becomes subject to Fed, FICA, Medicare & FUTA taxes.
 - c. Only social security and Medicare tax are withheld from the \$175 per month.
 - d. The \$175 is a tax-free benefit to Francine.
- 5 Bob's employer sent him to a sales training seminar in New York City. For Bob, it was one of the best experiences of his career. He flew out in the company jet, stayed three nights at the Plaza Hotel, and ate in some of the most luxurious restaurants in New York and the company paid for everything. This trip represents:
 - a. Taxable compensation.
 - b. A qualified employee discount.
 - c. A working condition fringe.
 - d. A no-additional-cost service.
- 6 To which of the following are American expatriates working in a foreign country generally subject? (Check all that apply.)
 - a. U.S. federal income tax
 - b. U.S. social security tax & Medicare tax
 - c. FUTA tax
 - d. all the above
- 7 Which form should XYZ company use to report taxable social security and Medicare wages?
 - a. Form 941
 - b. Form 943
 - c. Form 945
 - d. Form 944
- 8 Which of the following areas is regulated exclusively by the states, not by the federal government?
 - a. Unclaimed wages
 - b. When and how to pay wages
 - c. Workers' compensation
 - d. All of the above

- 9 A record of the daily transactions of a business is a:
- Balance sheet.
 - Journal.
 - Ledger.
 - chart of accounts.
- 10 Calculate the regular rate of pay and the overtime rate for an employee who earns \$14. per hour with a shift bonus of .50 for all 44 hours worked.
- 14.50 / 7.00
 - 14.00 / 7.00
 - 14.50 / 7.25
 - 14.00 / 7.25
- 11 The quest for total quality in the payroll environment requires a shift in attitudes. Which of the following should be the focus in initiating this shift?
- Developing new policies and procedures
 - Focusing on management style and skills
 - Emphasizing individual improvement
 - Focusing on departmental morale
- 12 Phyllis, the payroll supervisor, believes in treating her employees the way she wants to be treated. She uses every opportunity to reinforce honesty and integrity in her department. Everyone in her department has worked together to develop a payroll mission statement, and Phyllis is lobbying senior management to involve all of the company's employees in developing a corporate mission statement. Phyllis is best characterized as an advocate of:
- Empowerment.
 - Situational leadership
 - Principle-centered leadership
 - Strategic planning & organizing
- 13 Karl, a security guard, earns \$455 per week in salary. His deductions, include \$28.21 for social security tax, \$6.60 for Medicare tax, \$37 for federal income tax, \$10 for state income tax, and \$5 for insurance premiums. What is his disposable pay for the week?
- 325.99
 - 273.99
 - 373.19
 - 368.19
- 14 Sandra, single with one allowance, earns \$18,000 annually. Your firm pays biweekly. Use the percentage method to calculate withholding for federal income tax.
- 13.43
 - 140.38
 - 20.35
 - 49.33
- 15 At the beginning of the year, Fred elected to buy group life insurance as part of his benefit package in his company's cafeteria benefit plan. In May, Fred took out an individual life insurance policy. Since he no longer needs group coverage, Fred wants to replace the insurance option with increased contributions to his 401(k) plan. Is this possible?
- Yes. If both group life and the 401(k) plan are part of the same cafeteria benefit program, he can switch.
 - Yes, but he will have to pay taxes on the amount.
 - No, there is no qualifying change in status
 - Yes, Purchase of an individual life insurance policy is a qualifying event.

- 16** Bruce, a payroll manager, included the following items on his expense account. Which is tax-free?
- \$300 for an APA course
 - \$300 for tuition to attend a course at the community college on management skills and practices
 - both a and b are deductible and not subject to withholding.
 - Neither. Both a and b are taxable.
- 17** Which of the following is a basic purpose of totalization agreements between the U.S. and other countries?
- To reduce the amount of income tax paid to the foreign government
 - To alleviate the burden of double social security taxation
 - To exempt wages earned abroad from withholding
 - To exempt the employees' earnings from Medicare tax
- 18** Great Garbs, a garment manufacturer, has consistently deposited 100% of its tax liability on time. What is the last date it can file its first quarter's Form 941?
- April 15th
 - April 30th
 - May 10th
 - May 15th
- 19** Form I-9 must be filed:
- With the Social Security Administration.
 - With the Immigration and Naturalization Service (INS).
 - with the IRS.
 - In the employer's records.
- 20** A record of the business transactions by account is a:
- Balance sheet.
 - Journal.
 - Ledger.
 - chart of accounts.
- 21** Anderson Abstracts maintains their employee master file on microfilm. Which of the following statements is true?
- Under federal law, they are required to keep a backup copy of these records.
 - Employment records must be kept for seven years.
 - Federal requirement is to update the data monthly.
 - Anderson will be required to have viewing, printing & copying equipment available during a Government inspection
- 22** Pat believes that a manager should sometimes be very directive and at other times leave employees alone. "We have a team that's looking at our computer needs. These are all experienced people. They came up with their own agenda, presented it to me, and now they're off and running. I think it's great." Pat's attitude reflects:
- Situational leadership
 - Principle-centered leadership
 - Empowerment.
 - Strategic planning & organizing
- 23** Kathy, a waitress, is paid \$5.15 per hour, and she receives tips which average \$150 a week. She works 40 hours per week. Which of the following is true?
- Kathy's employer is allowed to reduce her cash wage to no less than \$2.13 per hour.
 - Kathy's base pay must be increased to \$7.25 per hour after a 90-day training period.
 - Kathy must be paid \$4.62 per hour by her employer.
 - Kathy's base salary must be raised to \$4 per hour to comply with federal minimum wage.

- 24** How much of Kathy's current gross weekly income of \$5.12 per hour plus tips is subject to withholding for federal income tax, social security tax, and Medicare tax?
- 354.80
 - 204.80
 - 150.00
 - 206.00
- 25** Sam, the firm's chief executive officer, is paid \$250,000 annually. He is married with three allowances. Use the percentage method to calculate his biweekly withholding for federal income tax?
- \$566.81
 - \$1,963.80
 - \$2,081.21
 - \$2,344.59
- 26** Which of the following would be considered a highly compensated employee under the nondiscrimination rules for 401(k) plans?
- Floyd, an officer of the firm who earns \$130,000 annually.
 - Florence, a stockholder who owns 5% of the company's stock.
 - The top 50 wage earners in a company of 5,000 employees who earn more than \$110,000 annually.
 - All of the above.
- 27** Bess eats in the company cafeteria almost every day. The company subsidizes this service because it reduces the amount of time the employer must provide for lunch. The employer must withhold:
- Social security and Medicare tax on the subsidized portion.
 - Federal income tax on the subsidized portion.
 - Both of the above.
 - Neither of the above.
- 28** The taxation and reporting of income earned by foreign citizens (aliens) working in the U.S. depends on which of the following?
- The alien's length of stay in the U.S.
 - The alien's annual earnings
 - The employer's classification as either a domestic or multinational firm
 - The alien's classification as either a resident or nonresident
- 29** Great Garbs does not have to send a Form W-2 to which of the following people?
- George, a part-time employee in shipping, who claimed exempt from withholding on his Form W-4
 - Gail, a free-lance writer, who was paid \$5,200 to prepare ad copy for Great Garbs
 - Gerald, a salesperson, who retired in May
 - Gladys, a seamstress, who received advance EIC payments
- 30** Escheat laws refer to:
- Method and timing of pay.
 - Unclaimed wages.
 - Hiring of illegal aliens.
 - Workers' compensation.
- 31** What is normal account flow?
- Ledger-Journal-Transaction-Financial statements
 - Transaction-Ledger-Journal-Financial statements
 - Transaction-Journal-Ledger-Financial statements
 - Journal-Transaction-Ledger-Financial statements
- 32** In order to set up direct deposit of payroll, you need which three pieces of information?
- The employee's bank's routing number; the type of account; whose name is on the account.
 - The employee's bank's name and address; the type of account; the account number
 - The employee's bank's routing number; the type of account; the account number
 - employees bank routing number, bank name, account number, and type of account

- 33** Kevin, a nonexempt employee, works in Oregon but lives in Washington State. The minimum wage in Washington is \$8.55 per hour, while Oregon minimum is \$8.40. Kevin's employer must pay him at least:
- \$8.40 per hour
 - \$7.25 per hour
 - There is no minimum because Kevin is nonexempt.
 - \$8.55 per hour
- 34** When an employee is overpaid and the repayment occurs in the same year, the repayment requested is the employee's:
- Net overpayment
 - Gross overpayment
 - Gross overpayment minus social security and Medicare tax.
 - Gross overpayment less Federal tax
- 35** Which of the six basic management skills focuses on communicating with top management?
- Planning
 - Organizing
 - Staffing
 - Directing
 - Controlling
 - Reporting
- 36** Last month, Barbara called her mother long distance on the company WATS line, photocopied 50 fliers for her church picnic at work, and had the department secretary update her resume. These services represent:
- Taxable compensation.
 - De minimis fringes.
 - Working condition fringes.
 - No-additional-cost services.
- 37** Blaine, a teller at First City Bank, is pursuing a law degree at a local college. The bank reimburses her \$3,500 for her tuition. Her tuition reimbursement is:
- Fully taxable for federal income tax, social security, Medicare tax and FUTA tax.
 - Nontaxable.
 - Taxable for Federal income tax only.
 - Taxable for social security and Medicare only.
- 38** Which of the following events would require an employee to fill out an amended Form W-4 within 10 days?
- Employee becomes legally separated from spouse who was claimed as an allowance
 - Employee's spouse quits job to stay home with a new baby
 - Death of a spouse
 - Adoption of a child
- 39** Gene, a designer, quit his position at Great Garbs on April 10. Generally, when must the company send Gene copies of his W-2?
- By May 10th
 - By May 30th
 - By December 31st
 - By January 31st.
- 40** Which of the following employees of state and local governments is exempt from Medicare coverage?
- Ellen, who works 20 hours each week in the city clerk's office
 - Eduardo, who worked for the county on a temporary basis, cleaning up after a flood
 - Edgar who has worked for the state highway department for 10 years and is not covered by the state retirement system
 - All of the above must be covered by Medicare.

- 41** A financial transaction is first posted in your firm's:
- Chart of accounts.
 - Ledger.
 - Journal.
 - Balance Sheet.
- 42** What is the correct chronological sequence for the following events associated with direct deposit?
- | | |
|--|---------------------------|
| 1. Company creates ACH file | 4. Employee information |
| 2. Receiving financial institution deposits in employee's bank account | 5. Settlement through ACH |
| 3. Originating financial institution transmits data | |
- 1 4 3 2 5
 - 4 1 5 3 2
 - 4 1 3 5 2
 - 1 3 5 4 2
- 43** When deciding how to delegate tasks to employees, the manager is engaged in the skill of:
- Planning
 - Organizing
 - Staffing
 - Directing
 - Controlling
 - Reporting
- 44** Kelly, who works 40 hours per week, is a fry cook at Kris's Kountry Kitchen. Occasionally, she substitutes for one of the waitresses and claims \$5 per week in tips. Can Kelly's employer pay her \$5.12 per hour?
- Yes
 - No
- 45** Sandra, single with one allowance, earns \$18,000 annually. Your firm pays biweekly. How much will your firm withhold from Sandra's biweekly paycheck for social security and Medicare tax?
- \$42.92 social security tax, \$10.04 Medicare tax
 - \$46.50 social security tax, \$10.87 Medicare tax
 - \$47.92 social security tax, \$5.04 Medicare tax
 - \$35.05 social security tax, \$8.17 Medicare tax
- 46** Brenda, a retail sales clerk, took advantage of the company's employee discount program to purchase clothes at 10% off the normal retail price. This service represents:
- Taxable compensation.
 - A qualified employee discount.
 - A working condition fringe.
 - A no-additional-cost service
- 47** Brent, an employee of the law firm of Barkley, Bently, and Berkowitz, travels to Boston in the first week of January on business. Under federal guidelines, Boston is classified as a high-cost locality. Brent's firm pays a per diem allowance, using the special high/low method for meals and lodging. While in Boston, Brent spends \$179 per night for a hotel room and \$58 per day for meals. What is the maximum per diem allowance that Brent's firm can pay and still be within the IRS-approved rates?
- \$207
 - \$316
 - \$124
 - \$197
- 48** Brent (see above question) provides his employer with a record of the trip's destination, purpose, and dates. He does not, however, provide a dollar accounting of money spent. Is this sufficient for IRS purposes?
- Yes
 - No

- 49** Generally, the filing deadline for Form W-3 is:
- a. January 31st.
 - b. The last day in February.
 - c. April 15th.
 - d. The last day of the month following the end of each quarter.
- 50** Hank, a secretary in your firm's marketing department, was recently married. Your firm pays on the 15th and last day of every month. On June 10, Hank submitted a revised Form W-4, changing his marital status and number of allowances from one to four. When must you change the amount of his withholding?
- a. On his June 15th paycheck
 - b. On his June 30th paycheck
 - c. On his July 15th paycheck
 - d. None of the above