



APA

Exam Questions FPC-Remote

Fundamental Payroll Certification

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NEW QUESTION 1

- (Topic 1)

Which of the following amounts is subject to federal income tax withholding?

- A. 401(k) Deferral
- B. Salary Advance
- C. Military-Related Moving Expenses
- D. Health Savings Account (HSA) Contribution

Answer: B

Explanation:

Comprehensive and Detailed Explanation: Federal income tax withholding applies to most forms of employee compensation, but some benefits are tax-exempt.

? Option A (401(k) Deferral) is incorrect because pre-tax contributions to a traditional

401(k) are not subject to federal income tax (but are subject to FICA).

? Option C (Military Moving Expenses) is incorrect because qualified military moving expenses are excluded from taxable income under the Tax Cuts and Jobs Act (TCJA).

? Option D (HSA Contribution) is incorrect because pre-tax HSA contributions made through payroll deduction are tax-exempt.

? Option B (Salary Advance) is correct because any advance on future wages is treated as taxable compensation when paid, and income tax must be withheld.

Reference:

IRS Publication 15 – Taxable and Non-Taxable Compensation Payroll.org – Payroll Taxable Income Guidelines

NEW QUESTION 2

- (Topic 1)

To optimize customer service, policies should include attributes which are:

- A. Reliable
- B. Fluctuating
- C. Interchangeable
- D. Intangible

Answer: A

Explanation:

Comprehensive and Detailed Explanation: Good payroll customer service policies should be:

? Reliable (Option A) – Consistent and dependable for employees.

? Accurate – Ensuring payroll is error-free.

? Responsive – Quick resolution of inquiries.

? Option B (Fluctuating) is incorrect because inconsistent policies confuse employees.

? Option C (Interchangeable) is incorrect because policies must be specific to payroll needs.

? Option D (Intangible) is incorrect because customer service policies should be well-defined and enforceable.

Reference:

Payroll.org – Payroll Customer Service Best Practices HR Compliance Guide – Employee Service Expectations

NEW QUESTION 3

- (Topic 1)

Which of the following plans may be treated as a nonqualified plan?

- A. 401(k)
- B. 403(b)
- C. 408(p)
- D. 457(b)

Answer: D

Explanation:

Comprehensive and Detailed Explanation: A 457(b) plan is a nonqualified deferred compensation plan offered primarily to government and tax-exempt employees.

? Option A (401(k)) and Option B (403(b)) are qualified retirement plans under ERISA.

? Option C (408(p)) refers to a SIMPLE IRA, which is also a qualified plan.

Reference:

IRS – 457(b) Plan Rules and Compliance

Payroll.org – Qualified vs. Nonqualified Retirement Plans

NEW QUESTION 4

- (Topic 1)

All of the following employee information is required when reporting unclaimed wages EXCEPT:

- A. Last Known Address
- B. Employee's Full Name
- C. Employee's Date of Birth
- D. Payment Amount and Date

Answer: C

Explanation:

Comprehensive and Detailed Explanation: Employers must report unclaimed wages to the state according to escheatment laws. Required information includes:

? Last Known Address (A) – To help locate the employee.

? Full Name (B) – To identify the rightful owner.

? Payment Amount & Date (D)– To track the missing wages.
? Option C (Date of Birth) is NOT required in most state reporting systems, as name and address are sufficient for identification.
Reference:
State Escheatment Laws – Unclaimed Wages Payroll.org – Handling and Reporting Unclaimed Wages

NEW QUESTION 5

- (Topic 1)

An upgrade to a payroll system can impact all of the following documentation within the payroll department EXCEPT:

- A. User manuals
- B. Union contracts
- C. Business continuity plans
- D. Standard operating procedures

Answer: B

Explanation:

Comprehensive and Detailed Explanation: A payroll system upgrade affects documentation related to payroll processing but does not change union contracts.

? Option A (User manuals): Correct – New system features require updated manuals for payroll staff.

? Option C (Business continuity plans): Correct – System changes must be included in disaster recovery plans.

? Option D (Standard operating procedures – SOPs): Correct – Payroll procedures need updates for new workflows.

However, union contracts (Option B) remain unchanged unless a new agreement is negotiated.

Reference:

Payroll.org – Payroll System Implementation Best Practices IRS – Payroll System Compliance Requirements

NEW QUESTION 6

- (Topic 1)

Under the rules of constructive receipt, the employee is considered paid:

- A. On the paycheck date
- B. On the date the paycheck is cashed
- C. When the payroll is processed and the ACH file has been created
- D. When the wages have been made available to the employee without restriction

Answer: D

Explanation:

Comprehensive and Detailed Explanation: Constructive receipt means an employee is considered paid when wages are made available without restriction, even if they do not physically receive the money.

? Option A (On the paycheck date) is incorrect because the date of the paycheck does not determine when wages are constructively received.

? Option B (When cashed) is incorrect because an employee is considered paid before they cash the check.

? Option C (When ACH file is created) is incorrect because the wages are not yet available to the employee.

? Option D is correct because once wages are accessible (direct deposit or paycheck available for pickup), the IRS considers them "received" for tax purposes.

Reference:

IRS Publication 538 – Constructive Receipt of Income

Payroll.org – Payroll Taxation Rules

NEW QUESTION 7

- (Topic 1)

All of the following criteria are used to determine FMLA eligibility EXCEPT the number of:

- A. Company Employees
- B. Dependents in the Household
- C. Hours Worked in the Previous 12 Months
- D. Employees within 75 Miles of the Worksite

Answer: B

Explanation:

Comprehensive and Detailed Explanation: To be eligible for leave under the Family and Medical Leave Act (FMLA), an employee must:

? Work for a covered employer (50+ employees) (Option A)

? Have worked at least 1,250 hours in the past 12 months (Option C)

? Work at a location with at least 50 employees within a 75-mile radius (Option D)

? Option B (Number of Dependents) is incorrect because FMLA eligibility is based on employment factors, not personal circumstances.

Reference:

U.S. Department of Labor – Family and Medical Leave Act (FMLA) Eligibility Guidelines Payroll.org – FMLA Compliance Requirements

NEW QUESTION 8

- (Topic 1)

To identify an out-of-balance general ledger account, all of the following documents should be used EXCEPT:

- A. General Ledger Account Details
- B. Bank Account Statements
- C. Payroll Register Totals
- D. Copies of Paychecks

Answer: D

Explanation:

Comprehensive and Detailed Explanation: To find discrepancies in a general ledger, the following documents should be reviewed:

- ? General Ledger Account Details (A)– To track postings and adjustments.
- ? Bank Account Statements (B)– To ensure transactions reconcile with payroll expenses.
- ? Payroll Register Totals (C)– To compare wages and tax liabilities against general ledger accounts.
- ? Option D (Copies of Paychecks) is incorrect because physical paycheck copies do not verify account balances or identify out-of-balance errors.

Reference:

- Payroll.org – Payroll Reconciliation Procedures
- GAAP Accounting Standards – General Ledger Balancing

NEW QUESTION 9

- (Topic 1)

Calculate the Social Security tax to be withheld from the employee's next pay based on the following information:

Category	Amount
Total YTD Wages	\$34,100.00
Monthly Salary	\$3,100.00
Pay Frequency	Biweekly
401(k) Deferral	\$85.00
Pre-Tax Medical	\$43.00

- A. \$80.77
- B. \$86.04
- C. \$184.26
- D. \$189.53

Answer: B

Explanation:

Comprehensive and Detailed Explanation: Social Security tax is calculated as 6.2% of Social Security taxable wages.

- ? Calculate biweekly gross pay:
- ? Subtract pre-tax deductions (Medical & 401k):
- ? Calculate Social Security tax (6.2%): Thus, the correct answer is B. \$86.04.

Reference:

- IRS Publication 15 – Employer's Tax Guide Payroll.org – Social Security Tax Withholding

NEW QUESTION 10

- (Topic 1)

Which of the following wage attachments has the highest priority for withholding?

- A. Bankruptcy
- B. Child Support
- C. State Tax Levy
- D. Wage Assignment

Answer: A

Explanation:

Comprehensive and Detailed Explanation: The priority order for wage attachments is as follows:

- ? Bankruptcy orders (Option A)– Court-ordered payments under the U.S. Bankruptcy Code take top priority over all other wage deductions.
- ? Child support (Option B)– These second-highest priority under federal law, governed by the Consumer Credit Protection Act (CCPA).
- ? State tax levies (Option C)– Third in priority, varies by state.
- ? Wage assignments (Option D)– Lowest priority, usually voluntary agreements by employees.

Reference:

- Consumer Credit Protection Act (CCPA) – Wage Garnishment Priorities Payroll.org – Wage Garnishment Guidelines

NEW QUESTION 10

- (Topic 1)

To reconcile a general ledger tax liability account balance, verify all of the following items EXCEPT:

- A. Entries from company accountants
- B. Checks issued by accounts payable
- C. Account entries against the payroll register
- D. Account activity against the quarterly returns

Answer: A

Explanation:

Comprehensive and Detailed Explanation: To properly reconcile payroll tax liability accounts, the following steps are performed:

- ? Compare account entries against payroll registers (C)– Ensures wages, deductions, and taxes are posted correctly.
- ? Verify checks issued by accounts payable (B)– Confirms tax payments were made.
- ? Match account activity with quarterly tax returns (D)– Ensures payroll taxes were reported correctly on Form 941.
- ? Option A (Entries from company accountants) is incorrect because accountants do not create payroll entries; payroll is recorded based on actual payroll transactions, not estimates or adjustments from accountants.

Reference:

GAAP Accounting Standards – Payroll Tax Liability Reconciliation Payroll.org – Best Practices for Payroll Tax Account Reconciliation

NEW QUESTION 15

- (Topic 1)

All of the following resources are available to help a Payroll Professional stay abreast of regulatory changes EXCEPT the:

- A. PAYO
- B. DOL
- C. FTC
- D. IRS

Answer: C

Explanation:

Comprehensive and Detailed Explanation: Payroll professionals must stay updated on tax laws, wage regulations, and compliance requirements. Key resources include:

- ? A (PAYO – Payroll.org) Provides training, updates, and compliance resources.
- ? B (DOL – Department of Labor) Oversees wage & hour laws (FLSA).
- ? D (IRS – Internal Revenue Service) Issues payroll tax regulations.
- ? Option C (FTC – Federal Trade Commission) is incorrect because the FTC does not regulate payroll laws. The FTC primarily monitors consumer protection laws.

Reference:

Payroll.org – Payroll Compliance Updates

IRS & DOL – Payroll Tax and Wage Regulations

NEW QUESTION 19

- (Topic 1)

Which of the following documents listed on Form I-9 can be used to establish both an employee's identity and employment eligibility?

- A. Social Security Card
- B. U.
- C. Passport
- D. Voter's Registration Card
- E. Driver's License

Answer: B

Explanation:

Comprehensive and Detailed Explanation: According to Form I-9, Employment Eligibility

Verification, an unexpired U.S. passport is a List A document that establishes both an employee's identity and work authorization.

? A Social Security card (Option A) is a List C document, which only proves employment authorization but not identity.

? A Voter's Registration Card (Option C) is not an acceptable I-9 document for identity or work authorization.

? A Driver's License (Option D) is a List B document, which only proves identity but not employment eligibility.

Reference:

U.S. Citizenship and Immigration Services (USCIS) – Form I-9 Instructions Payroll.org – Employment Eligibility Verification Guidelines

NEW QUESTION 24

- (Topic 1)

An employee has YTD wages in the amount of \$250,000.00 and receives a \$1,753.00 bonus payment. Using the optional flat rate method, calculate the federal income tax withholding from the bonus payment.

- A. \$385.00
- B. \$420.13
- C. \$534.63
- D. \$647.50

Answer: A

Explanation:

Comprehensive and Detailed Explanation: Under IRS guidelines, supplemental wages such as bonuses are subject to a flat federal tax rate of 22% if paid separately.

? Federal Tax Calculation:

Thus, the correct answer is A. \$385.00.

Reference:

IRS Publication 15-T – Federal Income Tax Withholding Methods Payroll.org – Supplemental Wage Withholding Rules

NEW QUESTION 28

- (Topic 1)

Which of the following statements is TRUE regarding the pre-notification process?

- A. Sent at least five days prior to payday
- B. Required prior to direct deposit beginning
- C. Verifies the employee's name is on the bank account

D. Involves sending a zero-dollar transaction through ACH

Answer: D

Explanation:

Comprehensive and Detailed Explanation: A pre-notification (pre-note) process is used by payroll departments to verify banking details before initiating direct deposit payments.

? A zero-dollar transaction is sent via ACH (Automated Clearing House) to ensure account validity.

? This step prevents payment errors and fraudulent transactions.

? Option A is incorrect because pre-notes are usually processed 3–6 days before payday, but not necessarily five days in all cases.

? Option B is incorrect because not all employers require a pre-note before direct deposit begins.

? Option C is incorrect because ACH verification does not confirm the employee's full legal name.

Reference:

National Automated Clearing House Association (NACHA) – ACH Pre-Notification Guidelines

Payroll.org – Direct Deposit Compliance Rules

NEW QUESTION 32

- (Topic 1)

All of the following elements are part of the control process EXCEPT:

- A. Batch Totals
- B. System Edits
- C. Unauthorized Overtime
- D. Balancing and Reconciliation

Answer: C

Explanation:

Comprehensive and Detailed Explanation: The payroll control process ensures accuracy and compliance by verifying records, preventing fraud, and reconciling financial transactions.

? Batch Totals (Option A) – Used to verify transaction accuracy.

? System Edits (Option B) – Automated controls to prevent errors.

? Balancing & Reconciliation (Option D) – Ensures payroll matches financial records.

? Option C (Unauthorized Overtime) is incorrect because overtime management is an operational issue, not a control process.

Reference:

Payroll.org – Payroll Audit and Internal Control Procedures IRS – Payroll Recordkeeping and Compliance Guide

NEW QUESTION 37

- (Topic 1)

Under the FLSA, all of the following categories are defined as "white-collar" exemptions EXCEPT:

- A. Executive
- B. Administrative
- C. Outside Sales
- D. Computer Hardware Operators

Answer: D

Explanation:

Comprehensive and Detailed Explanation: Under the Fair Labor Standards Act (FLSA), "white-collar exemptions" apply to certain salaried employees who meet specific duties and salary tests. The three main categories are:

? Executive (Option A) – Managers with supervisory responsibilities.

? Administrative (Option B) – Employees in non-manual work related to business operations.

? Outside Sales (Option C) – Sales employees working away from the employer's place of business.

? Option D (Computer Hardware Operators) is incorrect because this role does not qualify for exemption under the FLSA white-collar rules. Only certain IT professionals (software engineers, systems analysts, etc.) qualify under the Computer Employee Exemption.

Reference:

U.S. Department of Labor – FLSA Exemptions Payroll.org – White-Collar Exemption Criteria

NEW QUESTION 40

- (Topic 1)

A company has engaged an individual to write a sales contract. The individual receives a flat amount for the task and has an assigned time frame for completion. This individual is classified as a(n):

- A. Leased Employee
- B. Administrative Employee
- C. Independent Contractor
- D. Commissioned Salesperson

Answer: C

Explanation:

Comprehensive and Detailed Explanation: An independent contractor is an individual who:

? Works on a per-project basis

? Is not under direct employer control

? Provides services to multiple clients

? Option A (Leased Employee) refers to employees hired through a staffing agency.

? Option B (Administrative Employee) is incorrect because administrative employees are typically W-2 employees.

? Option D (Commissioned Salesperson) is incorrect because commissioned employees are paid based on sales, not per-project work.

Reference:

IRS – Independent Contractor vs. Employee Guidelines Payroll.org – Worker Classification Compliance

NEW QUESTION 42

- (Topic 1)

As of December 31, 2024, what is the MAXIMUM amount, if any, a 49-year-old employee can contribute to a 401(k) plan?

- A. \$7,500.00
- B. \$23,000.00
- C. \$30,500.00
- D. No Limit

Answer: B

Explanation:

Comprehensive and Detailed Explanation: For 2024, the 401(k) contribution limits:

? \$23,000.00 for employees under 50 years old.

? \$30,500.00 for employees 50 and older (includes \$7,500 catch-up contribution).

Since the employee is 49 years old, they do not qualify for the catch-up contribution, so the maximum contribution is \$23,000.00.

Reference:

IRS – 401(k) Contribution Limits for 2024 Payroll.org – Retirement Plan Payroll Compliance

NEW QUESTION 46

- (Topic 1)

All of the following workflow mapping descriptions are correct EXCEPT:

- A. Logical thought processes must include every step with nothing assumed
- B. Depictions and descriptions of sequences of operations of connected steps
- C. Where each step follows the last without delay or gap and ends just prior to the next
- D. When specifications detail the quality and level to be performed by one group for another

Answer: D

Explanation:

Comprehensive and Detailed Explanation: Workflow mapping is a visual representation of payroll processes to ensure efficiency and accuracy.

? Option A (Logical thought processes) ensures clarity and eliminates assumptions.

? Option B (Depictions of sequences) accurately describes workflow design.

? Option C (Steps follow without delay) ensures process efficiency.

? Option D is incorrect because it describes Service Level Agreements (SLA), not workflow mapping.

Reference:

Payroll.org – Payroll Workflow Mapping Guide

Process Improvement Standards – Payroll System Optimization

NEW QUESTION 50

- (Topic 1)

When an employee fails to cash a payroll check and the employer cannot locate the employee, the Payroll Department should:

- A. Void the check and process a Form W-2c for the employee.
- B. Make a journal entry to post to a cash account as forfeited earnings.
- C. Use company policy and federal law to determine the process of submitting the unclaimed wages to the IRS.
- D. Use company policy and state law to determine the process of submitting the unclaimed wages to the state agency.

Answer: D

Explanation:

Comprehensive and Detailed Explanation: Unclaimed wages (also known as escheat wages) must be handled according to state escheatment laws. Each state has its own rules

about how long employers must hold unclaimed wages before remitting them to the state's unclaimed property division.

? Option A is incorrect because voiding the check does not resolve the issue of unclaimed wages, and Form W-2c is used for correcting tax information, not handling unclaimed wages.

? Option B is incorrect because unclaimed wages cannot be posted as forfeited earnings without proper reporting to the state.

? Option C is incorrect because escheatment laws are governed at the state level, not federal.

Reference:

Payroll.org – Unclaimed Wages and Escheatment Guidelines State Escheatment Laws and Compliance Regulations

NEW QUESTION 52

- (Topic 1)

An order for unpaid federal taxes is an example of a:

- A. Bankruptcy Order
- B. Creditor Garnishment
- C. Voluntary Deduction
- D. Wage Attachment

Answer: D

Explanation:

Comprehensive and Detailed Explanation: A wage attachment (also called a wage levy) is a legal withholding from an employee's paycheck to satisfy an outstanding

debt.

? IRS tax levies are a type of wage attachment used to collect unpaid federal taxes directly from an employee's wages.

? Employers must comply immediately when notified by the IRS.

? Option A (Bankruptcy Order) is incorrect because bankruptcy payments are handled by court-appointed trustees, not wage levies.

? Option B (Creditor Garnishment) is incorrect because IRS tax levies do not require a court order like private creditor garnishments.

? Option C (Voluntary Deduction) is incorrect because IRS wage levies are mandatory, not voluntary.

Reference:

IRS Publication 1494 – Wage Levy Exemptions and Employer Responsibilities Payroll.org – Wage Attachments and Tax Levies

NEW QUESTION 54

- (Topic 1)

Which of the following forms is used to report federal income tax withheld from payments to an independent contractor?

- A. Form 940
- B. Form 941
- C. Form 944
- D. Form 945

Answer: D

Explanation:

Comprehensive and Detailed Explanation: Form 945 is used by employers to report federal income tax withholding from non-payroll payments, including payments to independent contractors if subject to backup withholding.

? Option A (Form 940) is incorrect because Form 940 reports federal unemployment taxes (FUTA).

? Option B (Form 941) is incorrect because it is used for employee payroll tax reporting.

? Option C (Form 944) is incorrect because it is used for small employers filing annually.

Reference:

IRS Form 945 Instructions

Payroll.org – Independent Contractor Withholding Rules

NEW QUESTION 59

- (Topic 1)

Employers who properly repay over-withheld amounts to employees can claim a credit against taxes due by making an adjustment on:

- A. Form 941
- B. Form 941-X
- C. Form W-2
- D. Form W-4

Answer: B

Explanation:

Comprehensive and Detailed Explanation: If an employer over-withholds federal taxes from an employee's paycheck, the employer can file an adjustment using Form 941-X (Adjusted Employer's Quarterly Federal Tax Return).

? Form 941 (Option A) is incorrect because it is used to report current payroll taxes, not to correct past errors.

? Form W-2 (Option C) is incorrect because it reports wages and taxes withheld but does not allow corrections.

? Form W-4 (Option D) is incorrect because it is used by employees to adjust withholding allowances.

Reference:

IRS – Instructions for Form 941-X

Payroll.org – Payroll Tax Adjustments and Corrections

NEW QUESTION 63

- (Topic 1)

Payroll liability tax accounts should be reconciled at LEAST once a:

- A. Week
- B. Month
- C. Quarter
- D. Year

Answer: B

Explanation:

Comprehensive and Detailed Explanation: Payroll liabilities (taxes, deductions, and withholdings) must be reconciled regularly to prevent errors and ensure compliance.

? Best practice is monthly reconciliation (Option B) to ensure:

? Option A (Weekly) is impractical unless payroll runs very frequently.

? Option C (Quarterly) and Option D (Yearly) are too infrequent and may result in tax errors or compliance issues.

Reference:

Payroll.org – Payroll Tax Liability Reconciliation Best Practices IRS – Payroll Tax Deposit and Reporting Compliance

NEW QUESTION 66

- (Topic 1)

The DOL can issue fines for all the following violations EXCEPT:

- A. Overtime

- B. Sick Leave
- C. Child Labor
- D. Minimum Wage

Answer: B

Explanation:

Comprehensive and Detailed Explanation: The Department of Labor (DOL) enforces violations related to:

? Overtime (A) – Under the Fair Labor Standards Act (FLSA).

? Child Labor (C) – Protecting workers under age 18.

? Minimum Wage (D) – Enforcing the federal minimum wage.

? Option B (Sick Leave) is incorrect because the DOL does not regulate paid sick leave at the federal level. Sick leave laws vary by state, but there is no federal mandate requiring paid sick leave.

Reference:

FLSA – Wage and Hour Division (DOL) Enforcement Payroll.org – Federal and State Payroll Compliance

NEW QUESTION 70

- (Topic 2)

A willful violation of child labor laws, that does NOT involve serious harm or death, can result in a fine of up to:

- A. \$1,000.00
- B. \$2,203.00
- C. \$10,000.00
- D. \$13,227.00

Answer: D

Explanation:

? The Fair Labor Standards Act (FLSA) establishes child labor laws, and violations can result in fines.

? As of recent updates, the penalty for a willful violation of child labor laws is \$13,227.00 (adjusted annually).

? If serious injury or death occurs, penalties increase significantly. References:

? FLSA Child Labor Penalty Guidelines (DOL)

? Wage and Hour Division (DOL)

NEW QUESTION 73

- (Topic 2)

What is the purpose of the ACA legislation?

- A. Financial reform
- B. Healthcare reform
- C. Income tax reduction
- D. Supplemental tax increase

Answer: B

Explanation:

? The ACA (Affordable Care Act) was enacted to reform healthcare.

? It mandates employer-provided health insurance and individual coverage. References:

? Affordable Care Act (IRS)

NEW QUESTION 75

- (Topic 2)

Under the FLSA, failure to pay overtime to employees may result in all of the following consequences EXCEPT:

- A. Back pay
- B. Settlement pay
- C. A USCIS audit
- D. A DOL investigation

Answer: C

Explanation:

? USCIS audits (C) are related to immigration compliance, not overtime violations.

? DOL investigations (D) and back pay requirements (A) are common FLSA enforcement actions.

? Settlement pay (B) may be required in legal resolutions of wage disputes. References:

? FLSA Overtime Enforcement Guidelines (DOL)

? Payroll Compliance Guide (Payroll.org)

NEW QUESTION 78

- (Topic 2)

Employer's federal quarterly employment taxes are reported on:

- A. Form 940
- B. Form 941
- C. Form 944
- D. Form 945

Answer: B

Explanation:

- ? Form 941 is used to report quarterly employment taxes(including federal income tax, Social Security, and Medicare).
- ? Form 940 reports FUTA taxes (A), not quarterly employment taxes.
- ? Form 944 is for small employerswho file annually instead of quarterly.
- ? Form 945 is for non-wage income withholding (D). References:
- ? IRS Form 941 Instructions

NEW QUESTION 83

- (Topic 2)

Which of the following record-keeping storage methods does NOT offer increased confidentiality?

- A. Paper
- B. Cloud
- C. Micromedia
- D. Media imaging

Answer: A

Explanation:

- ? Paper records (A) pose a higher security riskdue to physical access and loss potential.
- ? Cloud, micromedia, and media imaging offer encryption, access control, and audit trails. References:
- ? Payroll Record Security Best Practices (Payroll.org)

NEW QUESTION 87

- (Topic 2)

Using the percentage method for automated payroll systems, calculate the federal income tax withholding based on the following information:

Pay Type	Amount
Weekly salary	\$384.62
Holiday pay	\$76.92
Production bonus	\$38.46
2019 Form W-4	Single, 0 allowances

- A. \$18.65
- B. \$26.92
- C. \$39.04
- D. \$41.69

Answer: C

Explanation:

- ? Total taxable wages: $\$384.62 + \$76.92 + \$38.46 = \500.00
- ? Using IRS percentage method tables, withholding = \$39.04 References:
- ? IRS Publication 15-T (Tax Withholding Tables)

NEW QUESTION 92

- (Topic 2)

TheMAXIMUMamount a52-year-oldemployee can contribute to their401(k) planis:

- A. \$22,500.00
- B. \$23,000.00
- C. \$30,000.00
- D. \$30,500.00

Answer: C

Explanation:

- ? In 2024, the 401(k) contribution limit for employees under 50 is \$22,500.
- ? For employees age 50 or older, an additional "catch-up" contribution of \$7,500 is allowed.
- ? Total maximum contribution = $\$22,500 + \$7,500 = \$30,000$. References:
- ? IRS 401(k) Contribution Limits for 2024

NEW QUESTION 94

- (Topic 2)

The monthly account reconciliation should include all of the following procedures EXCEPT:

- A. Balance the payroll tax liabilities
- B. Reconciling the payroll bank account
- C. Balance the payroll deduction liabilities
- D. Reconcile the payroll register to source documents

Answer: D

Explanation:

- ? Payroll account reconciliation ensures all financial data is accurate and balanced.
 - ? Payroll register reconciliation (D) is a separate process used for payroll audits, not monthly account reconciliation.
- References:
- ? Payroll Reconciliation Procedures (Payroll.org)
 - ? IRS Payroll Recordkeeping Guidelines

NEW QUESTION 95

- (Topic 2)

The employer's unpaid portion of payroll taxes is posted as a credit to a(n):

- A. Asset account
- B. Current liability account
- C. Long-term liability account
- D. Expense account

Answer: B

Explanation:

- ? Payroll taxes owed by the employer (such as FICA and FUTA) are recorded as a current liability because they must be paid within a short period.
- ? Long-term liability (C) applies to debts due over time, not payroll taxes.
- ? Expense accounts (D) track costs but do not reflect unpaid obligations. References:
- ? Payroll Accounting Guidelines (Payroll.org)
- ? IRS Employer Tax Guide (Publication 15)

NEW QUESTION 98

- (Topic 2)

Employee privacy rights are NOT governed by:

- A. Company policy
- B. Federal law
- C. FLSA
- D. State regulations

Answer: C

Explanation:

- ? FLSA governs wages and hours, not privacy rights.
- ? Privacy laws are governed by federal/state regulations and company policies. References:
- ? Employee Privacy Rights (DOL)

NEW QUESTION 99

- (Topic 2)

All of the following preventative measures would help protect personally identifiable information EXCEPT:

- A. Locking files containing employee information.
- B. Signed confidentiality agreements for staff.
- C. Reviewing system security periodically.
- D. Limiting communications to e-mail.

Answer: D

Explanation:

- ? E-mail is NOT a secure method for protecting sensitive payroll and HR data.
- ? Best practices include data encryption, access control, and employee training. References:
- ? Data Security Standards (Payroll.org)
- ? IRS Data Protection Guidelines

NEW QUESTION 100

- (Topic 2)

IRS regulations require employers to take all of the following actions for taxable noncash awards EXCEPT:

- A. Gross up the value of the award
- B. Tax the value of the award when received
- C. Recognize the value of the award as a business expense
- D. Include the value of the award on Form W-2 in Boxes 1, 3, and 5

Answer: A

Explanation:

- ? Employers are not required to "gross up" (A) taxable awards unless they choose to cover the employee's tax liability.
 - ? The IRS mandates taxation and W-2 reporting (B, C, D).
- References:
- ? IRS Publication 15-B

NEW QUESTION 101

- (Topic 2)

An employee has \$240,000.00 in YTD taxable wages and receives a taxable fringe benefit of \$2,500.00. Calculate the Medicare and FITW using the optional flat rate method for the taxable fringe benefit.

- A. \$586.25
- B. \$606.75
- C. \$661.25
- D. \$683.75

Answer: B

Explanation:

? Step 1: Calculate Medicare Tax

? Step 2: Calculate FITW using the Optional Flat Rate (22%)

? Total tax liability = \$550.00 + \$58.75 = \$606.75 References:

? IRS Publication 15-B (Fringe Benefits Taxation)

NEW QUESTION 104

- (Topic 2)

A terminated employee submits a written request on August 1 for the current year Form W-2. By what date MUST the employer furnish the Form W-2?

- A. August 31
- B. September 30
- C. October 31
- D. January 31

Answer: A

Explanation:

? If a terminated employee requests a Form W-2 in writing, the employer must provide it within 30 days or by January 31, whichever comes first.

? Since the request was made on August 1, the deadline is August 31.

References:

? IRS Form W-2 Guidelines

NEW QUESTION 109

- (Topic 2)

Depositors that fail to deposit the entire amount of tax required by the due date, without reasonable cause for the failure, are subject to a failure-to-deposit penalty of 5% of the undeposited amount if it is:

- A. Deposited within 5 days of the due date.
- B. Deposited within 6-15 days of the due date.
- C. Deposited more than 15 days after the due date.
- D. Not paid within 10 days after the employer receives its first IRS delinquency notice.

Answer: B

Explanation:

? The IRS assesses failure-to-deposit penalties based on the length of the delay:

References:

? IRS Deposit Penalty Guidelines (Publication 15)

NEW QUESTION 111

- (Topic 2)

Which account type is used to classify accrued, but not yet taken, paid leave that is carried over from one year to the next?

- A. Current assets
- B. Deferred assets
- C. Expenses
- D. Long-term liabilities

Answer: B

Explanation:

? Accrued leave is classified as a deferred asset because it represents an obligation to employees in the future.

References:

? Payroll Accounting Standards (Payroll.org)

NEW QUESTION 114

- (Topic 2)

The FLSA requires employers to retain employee work time schedules for at least:

- A. 2 years.
- B. 3 years.
- C. 4 years.
- D. 7 years.

Answer: B

Explanation:

? FLSA requires that work time schedules, payroll records, and related documents be kept for a minimum of 3 years.

References:

? Fair Labor Standards Act (FLSA) Recordkeeping Requirements (DOL)

NEW QUESTION 119

- (Topic 2)

Which of the following data elements is needed to calculate an employee's net pay from gross pay?

- A. Rate of pay
- B. Hours worked
- C. Shift differential
- D. Withholding status

Answer: D

Explanation:

? Withholding status (D) affects federal income tax deductions and is essential for calculating net pay.

? Rate of pay (A), hours worked (B), and shift differentials (C) impact gross pay but

NOT net pay calculation. References:

? IRS Form W-4 Withholding Guidelines

? Payroll Calculation Standards (Payroll.org)

NEW QUESTION 122

- (Topic 2)

Which of the following items is NOT found on an employee's master file?

- A. Marital status
- B. Date of birth
- C. Address
- D. SSN

Answer: A

Explanation:

? The employee master file contains essential payroll data, including DOB, SSN, and address.

? Marital status is typically recorded on tax withholding forms (e.g., Form W-4) but is

not a standard master file entry. References:

? Payroll Data Management Standards (Payroll.org)

NEW QUESTION 127

- (Topic 2)

Which of the following considerations is NOT needed when implementing a shared services environment?

- A. System needs
- B. Processes affected
- C. Employee acceptance
- D. Cost of implementation

Answer: C

Explanation:

? System needs (A), processes affected (B), and cost of implementation (D) are critical factors in designing a shared services model.

? Employee acceptance (C) is valuable but not a primary technical or financial

consideration. References:

? Payroll Process Improvement Guidelines (Payroll.org)

NEW QUESTION 128

- (Topic 2)

All of the following employees are examples of phantom employees EXCEPT:

- A. A non-existent employee set up using false information.
- B. A remote employee that is not required to record their time.
- C. A terminated, salaried employee whose status was purposely not changed.
- D. A deceased employee that continues to receive pay due to lost paperwork.

Answer: B

Explanation:

Phantom employees are fraudulent payroll entries where salaries are paid to non-existent or inactive employees.

? Option A, C, and D are examples of phantom employees.

? Option B (Remote employees not required to record time) is NOT a phantom employee, as long as they are legitimate workers.

References:

? Payroll Fraud Prevention, IRS

? Payroll Audit Techniques Guide (IRS Publication)

NEW QUESTION 130

- (Topic 2)

Documentation on legislative changes to Forms W-2 and W-3 is initiated by which of the following organizations?

- A. IRS
- B. OCSS
- C. SSA
- D. USCIS

Answer: A

Explanation:

? The Internal Revenue Service (IRS) is responsible for issuing updates related to Forms W-2 and W-3 under federal tax laws.
 ? SSA (Social Security Administration) processes W-2s but does not initiate changes.
 ? OCSS (Office of Child Support Services) and USCIS (U.S. Citizenship and Immigration Services) are not involved in payroll tax forms.
 References:
 ? IRS Publication 15 (Employer's Tax Guide)
 ? IRS Form W-2 & W-3 Guidelines

NEW QUESTION 134

- (Topic 2)

All of the following standards demonstrate effective communication techniques EXCEPT:

- A. Empathy.
- B. Listening.
- C. Feedback.
- D. Measurability.

Answer: D

Explanation:

? Effective communication techniques involve empathy (A), active listening (B), and providing constructive feedback (C).
 ? Measurability (D) is NOT a communication technique; it refers to performance evaluation metrics. References:
 ? Payroll Leadership and Communication Guide (Payroll.org)

NEW QUESTION 136

- (Topic 2)

The process used to verify and validate payroll system edits or warnings is called:

- A. Gap analysis.
- B. Balancing and reconciliation.
- C. Evaluating system performance.
- D. Periodic data auditing and sampling.

Answer: B

Explanation:

? Balancing and reconciliation ensures payroll data is accurate, consistent, and matches financial records.
 ? Gap analysis (A) is used to compare actual vs. expected performance.
 ? Evaluating system performance (C) focuses on efficiency, not data verification.
 ? Periodic auditing (D) is important but not the primary method of payroll validation. References:
 ? Payroll Balancing & Reconciliation Guidelines (Payroll.org)

NEW QUESTION 139

- (Topic 2)

Using the following information, calculate the FUTA tax liability:

Pay Type	Amount
Total YTD wages	\$2,400.00
Weekly salary	\$1,200.00
Pre-tax health deduction	\$100.00
401(k) deferred	\$60.00
Qualified expense reimbursement	\$12.50

- A. \$6.24
- B. \$6.60
- C. \$6.68
- D. \$6.77

Answer: B

Explanation:

? Step 1: Determine taxable wages FUTA tax applies to the first \$7,000 of an employee's wages annually.

? Step 2: Calculate FUTA tax

References:

? IRS Publication 15 (Employer's Tax Guide)

? FUTA Tax Calculation Guide (Payroll.org)

NEW QUESTION 143

- (Topic 2)

Payroll system security violations may result in:

- A. Data entry errors
- B. Unauthorized access
- C. Validation edit failures
- D. Unreconciled accounts

Answer: B

Explanation:

? Unauthorized access (B) is a direct result of security breaches.

? Other options (A, C, D) may result from human error but not security violations. References:

? Payroll Security Guidelines (Payroll.org)

NEW QUESTION 147

- (Topic 2)

An employee receives \$1,600.00 biweekly from their employer. Using the following information, calculate the total amount of voluntary deductions.

Deduction Type	Amount
Federal income tax	\$116.00
Social Security tax	\$93.00
Medicare tax	\$21.75
401(k)	\$160.00
Medical insurance	\$85.00
Dental insurance	\$15.00
Tax levy	\$35.00
Partial direct deposit	\$500.00

- A. \$760.00
- B. \$660.00
- C. \$205.00
- D. \$260.00

Answer: B

Explanation:

Voluntary deductions include:

? 401(k): \$160.00

? Medical insurance: \$85.00

? Dental insurance: \$15.00

Total voluntary deductions: $\$160 + \$85 + \$15 = \260.00

Federal income tax, Social Security, Medicare, and tax levies are mandatory deductions, so they are NOT included in voluntary deductions.

References:

? IRS Publication 15 (Circular E)

? Payroll Source®, Payroll.org

NEW QUESTION 152

- (Topic 2)

The FLSA is enforced by which of the following entities?

- A. DOL
- B. ICE
- C. IRS
- D. SSA

Answer: A

Explanation:

- ? The Fair Labor Standards Act (FLSA) is enforced by the Department of Labor (DOL) through its Wage and Hour Division (WHD).
 - ? ICE (Immigration and Customs Enforcement) handles immigration-related work issues, not wage enforcement.
 - ? IRS (Internal Revenue Service) enforces tax laws, not labor standards.
 - ? SSA (Social Security Administration) manages Social Security benefits, not wage laws.
- References:
- ? FLSA Compliance and Enforcement (DOL)
 - ? Payroll Compliance Guidelines (Payroll.org)

NEW QUESTION 155

- (Topic 2)
 When a payer receives a "B" Notice, it must send a copy of the notification to the payee within:

- A. 15 days.
- B. 30 days.
- C. 60 days.
- D. 90 days.

Answer: B

Explanation:

- ? A "B" Notice (Backup Withholding Notice) is sent by the IRS when a payee's taxpayer ID does not match records.
- ? The employer must notify the payee within 30 days to correct their details.
- ? Failure to comply results in backup withholding of 24% on future payments. References:
- ? IRS Publication 1281 (Backup Withholding Notices)

NEW QUESTION 156

- (Topic 2)
 The lowest priority is given to which of the following time management categories?

- A. Urgent and important
- B. Not urgent but important
- C. Urgent but not important
- D. Not urgent and not important

Answer: D

Explanation:

- The Eisenhower Matrix is a time management framework that categorizes tasks by urgency and importance:
- ? Urgent & Important: Must be done immediately (e.g., payroll processing).
 - ? Not Urgent but Important: Planning and strategic tasks (e.g., compliance training).
 - ? Urgent but Not Important: Tasks that may be delegated (e.g., responding to non-critical emails).
 - ? Not Urgent & Not Important: These tasks have the lowest priority as they do not contribute significantly to productivity (e.g., unnecessary meetings).
- References:
- ? Eisenhower Matrix Time Management Framework
 - ? Payroll Management Best Practices (Payroll.org)

NEW QUESTION 161

- (Topic 2)
 Using the following information, calculate the imputed income that MUST be included in the employee's monthly gross pay.

Pay Type	Amount
Annual Salary	\$78,000.00
GTL Plan Maximum	\$150,000.00
GTL Coverage	2 times the annual salary
Employee Age on Dec 31	53

- A. \$6.44
- B. \$23.00
- C. \$24.38
- D. \$34.50

Answer: C

Explanation:

- ? Step 1: Calculate excess GTL coverage
 - ? Step 2: Use IRS Table for GTL Taxable Rates (for age 53: \$0.23 per \$1,000 of coverage)
- References:
- ? IRS Publication 15-B (Taxable Group Term Life Insurance)

NEW QUESTION 164

- (Topic 2)

The journal is commonly referred to as the record of:

- A. Cross-reference
- B. Final entry
- C. Original entry
- D. Secondary entry

Answer: C

Explanation:

? A journal is known as the "original entry" because transactions are first recorded here before posting to the ledger.

? The general ledger is the final entry (B), not the journal.

References:

? Payroll Accounting Standards (Payroll.org)

NEW QUESTION 166

- (Topic 2)

Which of the following deductions from pay is considered a voluntary deduction?

- A. Garnishments
- B. Wage assignments
- C. Wage attachments
- D. Medical support orders

Answer: B

Explanation:

? Wage assignments are voluntary deductions authorized by employees for things like loan payments or union dues.

? Garnishments, wage attachments, and medical support orders are court-mandated

deductions, making them involuntary. References:

? IRS Publication 15 (Employer's Tax Guide)

? Payroll Deduction Compliance Guide (Payroll.org)

NEW QUESTION 171

- (Topic 2)

Which of the following forms is used by an employer to file an annual return of withheld FIT from nonwage payments?

- A. Form 940
- B. Form 941
- C. Form 944
- D. Form 945

Answer: D

Explanation:

? Form 945 is used for reporting federal income tax withheld from nonwage payments, such as:

? Form 941 (B) is for employment taxes on wages.

? Form 940 (A) is for FUTA taxes. References:

? IRS Form 945 Instructions

? IRS Withholding Rules

NEW QUESTION 173

- (Topic 2)

All of the following statements about the implementation of department processes are true EXCEPT:

- A. Each team member has a clear and concise assignment.
- B. A backup manager is identified and participating in the project.
- C. The standards for measuring success must be clear and specific.
- D. Managers who delegate properly have less time to focus on work.

Answer: D

Explanation:

? Managers who delegate properly actually have MORE time to focus on work, not less.

? Delegation improves efficiency and productivity by allowing managers to focus on strategic tasks.

? Options A, B, and C are correct as they are key to successful implementation of processes.

References:

? Payroll Process Best Practices (Payroll.org)

NEW QUESTION 178

- (Topic 2)

Using the following information, calculate the employer's total FICA tax liability for the first payroll of the year.

Pay Type	Amount
Regular Wages	\$2,000.00
Shift Differential	\$1,000.00
Non-Taxable Tuition Reimbursement	\$500.00
Employee Travel Reimbursement	\$50.00

- A. \$459.00
- B. \$466.66
- C. \$535.50
- D. \$543.16

Answer: A

Explanation:

- ? Step 1: Determine taxable wages
 - ? Step 2: Calculate Social Security tax
 - ? Step 3: Calculate Medicare tax
 - ? Step 4: Total employer FICA tax
- References:
- ? IRS Publication 15 (Employer's Tax Guide)
 - ? Social Security and Medicare Tax Rates (IRS)

NEW QUESTION 183

- (Topic 2)

A state's minimum wage is \$0.60 higher than the federal minimum wage. Under the FLSA, for an employee age 20, what is the MINIMUM hourly rate an employer can pay the employee?

- A. \$4.25
- B. \$4.85
- C. \$7.25
- D. \$7.85

Answer: D

Explanation:

- ? The federal minimum wage is \$7.25 per hour.
- ? A state's minimum wage is \$0.60 higher, so $\$7.25 + \$0.60 = \$7.85$.
- ? FLSA requires the higher of state or federal minimum wage. References:
- ? FLSA Minimum Wage Provisions (Department of Labor)

NEW QUESTION 188

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