Student name:\_\_\_\_\_\_\_\_\_\_

**1)** Which is the first decision an employer should make about its payroll procedures?

 A) How often to pay employees
 B) How to handle pay advances
 C) How many employees to hire
 D) Which employee benefits to offer

**2)** Which of the following items must exist in every employee's payroll file?

 A) Social security number
 B) Pay frequency
 C) Spouse's birth date
 D) Prior occupation

**3)** Why must pay rate information be a part of an employee’s payroll file?

 A) As a means of tracking time worked for overtime compensation purposes
 B) To ensure that the employee receives all compensation earned
 C) As a means of ensuring pay equality among employees
 D) To document satisfaction of court-ordered obligations

**4)** Which of the following is a purpose of new hire reporting laws?

 A) To ensure payment of court-ordered obligations like garnishments and child support
 B) To keep track of workers throughout their careers
 C) To ensure consistent pay through an employee’s career
 D) To maintain the company’s business license

**5)** Which pay frequency has 52 pay periods annually?

 A) Daily
 B) Biweekly
 C) Semimonthly
 D) Weekly

**6)** Which pay frequency has 24 pay periods per year?

 A) Bimonthly
 B) Biweekly
 C) Semimonthly
 D) Semi-weekly

**7)** Which pay frequency usually has 26 pay periods?

 A) Daily
 B) Weekly
 C) Monthly
 D) Bi-weekly

**8)** Which form is required whenever any employee is hired?

 A) H-1
 B) I-9
 C) SS-8
 D) W-2

**9)** Joni is the payroll accountant for a firm. She notes that the firm has hired a new employee. What forms must she collect from the new employee?

 A) W-2 and I-8
 B) W-4 and I-9
 C) W-4 and I-8
 D) W-3 and I-9

**10)** If a firm pays its employees semimonthly, how often does it disburse employee compensation?

 A) Twice per month
 B) Every week
 C) Every two months
 D) Every three weeks

**11)** Why is it important for an employer to classify a worker as either an employee or an independent contractor?

 A) For tax remittance purposes
 B) For child support obligations purposes
 C) For government tracking purposes
 D) For reimbursement purposes

**12)** Which of the following was part of the 2020 final rule distinguishing employees and independent contractors?

 A) Amount of work performed
 B) Training requirements
 C) The importance of the work for the firm
 D) The type of labor performed

**13)** As a best practice, the employer should have the employee complete a new Form W-4:

 A) Before each pay disbursement.
 B) Each year, upon the employee's anniversary with the firm.
 C) Every January 1.
 D) At the time of hire.

**14)** Mira is a new employee of Justice Sports. To establish her identity and employment authorization, she could present:

 A) Her current United States passport.
 B) Her library card and birth certificate.
 C) Her driver's license and ATM card.
 D) Her college transcript and driver's license.

**15)** Which items must be contained in every hiring packet issued by an employer?

 A) Forms W-4 and I-9
 B) Employment contract with start date and pay agreement
 C) Descriptions of benefits and enrollment forms
 D) No items are mandated for issuance in a hiring packet.

**16)** New hires must be reported within \_\_\_\_\_\_\_\_\_\_ days of the completion form I-9 to state authorities.

 A) 30
 B) 20
 C) 10
 D) 3

**17)** Multistate employers must do which of the following for new hire reporting?

 A) File a new-hire report with the state office for each employee's state of residence
 B) File a report with the IRS since they have employees in multiple states
 C) File multistate registration form to designate which state will receive their new hire reporting
 D) File new hire reports only in the state with the company’s headquarters

**18)** Which entity bears the responsibility for gaining approval for a foreign worker visa so a foreign employee may work legally in the United States?

 A) The employer
 B) The employee
 C) The U.S. State Department
 D) The employer's home country

**19)** Gyuri is a full-time worker whose primary occupation involves extensive overnight travel to visit sites on the behalf of a single company. Which of the following classifications most accurately describes Gyuri's employment status?

 A) Independent contractor
 B) Exempt employee
 C) Nonexempt employee
 D) Statutory employee

**20)** Dev is an employee of the foreign subsidiary of a United States based company who lives and works in the United Kingdom. According to FATCA, how much of his wages may Dev exclude from United States' taxes, according to 2021 guidelines?

 A) $92,850
 B) $103,500
 C) $108,700
 D) $116,820

**21)** Dev is an employee of the foreign subsidiary of a United States based company who lives and works in the United Kingdom. According to FATCA, how much of his wages may Dev exclude from United States' taxes, according to 2021 guidelines?

 A) $91,750
 B) $102,400
 C) $108,700
 D) $115,720

**22)** Which of the following factors could assist employers in determining employee pay rates?

 A) Employee marital status
 B) Company’s net income
 C) Employee FLSA status
 D) Industry type

**23)** Georgeanne works in a company for which her primary job function is the manufacturing of company products to consumers. She receives a percentage of each sale as part of her compensation. Her compensation contains a \_\_\_\_\_\_\_\_\_\_ element.

 A) Piece-rate
 B) Commission
 C) Pay-for-performance
 D) Nonexempt

**24)** Stan works for a bakery for which part of his compensation is based on the sale of wedding and other specialty cakes. His compensation has a \_\_\_\_\_\_\_\_\_\_ element.

 A) Performance incentive
 B) Commission
 C) Piece-rate
 D) Nonexempt

**25)** Which of the following is subject to overtime in the process of hourly computations, according to FLSA?

 A) Time worked during a given 24-hour period
 B) Holiday, sick time, and paid time off
 C) Time worked in excess of 40 hours per week
 D) Exempt employee weekend work

**26)** Which of the following is a necessary element in an accounting system?

 A) Internal secrecy
 B) Audit control
 C) Internal control
 D) Audit review

**27)** A payroll review process is the least complex when:

 A) The company has few employees.
 B) The company is not geographically dispersed.
 C) The company is centralized and uses one location.
 D) The company has multiple departments and many employees.

**28)** Outsourcing the payroll process:

 A) Relieves the company of the task completion and the review process.
 B) Relieves the company of certain task completion but not the review process.
 C) Relieves the company of all liability for payroll completion and accuracy.
 D) Relieves the company of the review process but not the task completion.

**29)** A company should assign \_\_\_\_\_\_\_\_\_\_ employee(s) the responsibility for signing payroll checks and disbursements.

 A) A limited number of
 B) Only one
 C) Its most responsible
 D) Managerial

**30)** Which of the following is a potential consequence of incorrect calculation of employee time for payroll purposes?

 A) Federal penalties for not remitting all taxes due
 B) Erosion of available cash because of underpayments to employees
 C) Increased stakeholder approval due to employee overpayments
 D) An increase in employee morale

**31)** For payroll documentation purposes, when an employee needs time away from work:

 A) The supervisor should authorize it verbally.
 B) The employee should email only department colleagues.
 C) Upper management must approve the request.
 D) The request should be documented, approved, and forwarded to the payroll clerk.

**32)** When a payroll clerk receives an approved request for an employee's time away from work, he or she should:

 A) Immediately place it in the employee's file.
 B) Attach it to the employee's time collection report for the pay period.
 C) Destroy the document in accordance with privacy laws.
 D) Contact the employee to verify the request.

**33)** A company should restrict access to payroll files (paper and/or electronic) as a part of:

 A) File security internal controls
 B) Audit trail requirements
 C) State requirements
 D) FLSA requirements

**34)** Which aspect of internal controls for payroll relates to the Sarbanes-Oxley Act?

 A) Protecting employee retirement funds
 B) Limiting the number of employees authorized to disburse payroll
 C) Cross-training employees and altering duties
 D) Ensuring the complexity of the audit trail

**35)** Employee file maintenance is the responsibility of the:

 A) Employee.
 B) Employer.
 C) Payroll vendor.
 D) State government.

**36)** Computerized payroll records are considered a(n):

 A) Open system.
 B) Open access.
 C) Closed system.
 D) Closed access.

**37)** When developing the internal controls and record retention for a payroll system, a company should:

 A) Involve all company employees to promote transparency.
 B) Develop a closed system and alternate employee duties.
 C) Designate a single employee with the responsibility for pay disbursements.
 D) Train accounting personnel on a single payroll task.

**38)** The retention period for payroll documents commences:

 A) At the time an employee is hired.
 B) When an employee's first pay is disbursed.
 C) Once the employee completes one year of service.
 D) When an employer terminates the worker’s employment.

**39)** Which of the following parties does not legally have access to a firm’s payroll records?

 A) The IRS
 B) State revenue department employees
 C) Vendors of the firm
 D) The Department of Homeland Security

**40)** Which of the following is true about document retention requirements per the IRS statute of limitations?

 A) Federal legislation requires documents to be retained for two years after the employee’s termination.
 B) Payroll records must be maintained for three years after termination.
 C) Union employees’ records must be retained for five years after termination.
 D) State legislation requires records to be retained for a minimum of eight years after termination.

**41)** Erica was an employee of the Cheshire Senior Hospice System. After she resigned her employment, auditors discovered evidence of fraudulent activity that they traced to her. Erica's records must be retained:

 A) For 20 years.
 B) For 25 years.
 C) For 30 years.
 D) Indefinitely.

**42)** Erica was an employee of the Cheshire Senior Hospice System. After she resigned her employment, auditors discovered evidence of fraudulent activity that they traced to her. Erica's records must be retained:

 A) For 10 years.
 B) For 15 years.
 C) For 20 years.
 D) Indefinitely.

**43)** Sherilyn’s employment with a company was terminated in South Carolina due to a reduction in workforce. Which statement best describes the state's requirements for disbursement of her final pay?

 A) Within 48 hours
 B) At the next scheduled pay date
 C) On the next business day
 D) Within two weeks

**44)** Roland is terminated by a company in Alabama. According to state regulations, when must he receive his final pay?

 A) On the next business day
 B) No standardized state guidelines exist
 C) Within seven business days
 D) At the next schedule payday

**45)** A firm needs to destroy paper payroll records after the end of the retention period. Which of the following is not an option for destruction purposes?

 A) Shredding
 B) Discarding
 C) Pulping
 D) Burning

**46)** Geoff is the payroll clerk for a firm that maintains its payroll through computerized records on a centralized server at the company headquarters. One of his responsibilities is employee file maintenance, including the destruction of records after the retention time has elapsed. His method of purging employee records is to delete the file from the database. What other record destruction procedures should Geoff follow?

 A) None. His method is acceptable.
 B) He should check all other employees' computers to ensure that the record is deleted.
 C) He should purge the record from the server.
 D) He should send an interoffice request to have someone in the information technology department remove the record from the server.

**47)** What is the difference between termination and resignation, as far as final pay is concerned?

 A) Resignation pay may be paid at the next regular pay date, but termination pay is subject to state law.
 B) Resignation and termination pay are subject to state regulations.
 C) Resignation pay must be paid within one week and termination pay must be the next business day.
 D) Resignation pay must be paid on the next business day and termination pay is due immediately.

**48)** Upon termination, which of the following must be included in an employee’s final pay?

 A) Hours worked
 B) Vacation previously paid
 C) Severance pay
 D) Sick time accrued but not used

**49)** A payroll accountant is preparing the final pay for a commission-based salesperson who has resigned from the firm. What will happen to the salesperson's commissions that have been earned but not paid?

 A) The salesperson must receive resignation pay immediately and forfeits all unpaid commissions.
 B) The salesperson's final pay is delayed to allow for computation of commissions.
 C) The final pay must include all commissions earned, in accordance with any pay agreement.
 D) The employee must receive final non-commission pay immediately, but any commission pay will be delayed.

**50)** What types of records does IRS Regulation 26 CFR 1.6001 not cover?

 A) Manual pay records
 B) Computerized pay records
 C) Outsourced payroll records
 D) Independent contractor remittance

**51)** Well-designed internal controls prevent:

 A) Legal compliance and file integrity.
 B) Opportunities for defalcation.
 C) Protection against embezzlement.
 D) Audit trail support.

**52)** All executive compensation must be:

 A) Maintained in a file and purged annually.
 B) Available for inspection by any interested party.
 C) Annotated as to derivation and benchmarks.
 D) Reported with the company's financial statements.

**53)** Individuals classified as \_\_\_\_\_\_\_\_\_\_ are paid as vendors of a firm.

 A) Exempt employees
 B) Nonexempt employees
 C) Government contract employees
 D) Independent contractors

**54)** \_\_\_\_\_\_\_\_\_\_ payroll is processed twice per month and will usually result in a higher gross pay per pay period than \_\_\_\_\_\_\_\_\_\_ payroll.

 A) Weekly; monthly
 B) Semimonthly; biweekly
 C) Biweekly; semimonthly
 D) Daily; biweekly

**55)** Form I-9 is issued by the \_\_\_\_\_\_\_\_\_\_ to verify employment eligibility in the United States.

 A) Internal Revenue Service
 B) Department of Homeland Security
 C) Federal Bureau of Investigation
 D) Department of Labor

**56)** Personnel in certain full-time occupations such as life insurance sales are classified as \_\_\_\_\_\_\_\_\_\_ instead of independent contractors.

 A) Contract employees
 B) Executive workers
 C) Statutory employees
 D) Non-statutory workers

**57)** FATCA enforcement has been difficult because the Internal Revenue Service relies on \_\_\_\_\_\_\_\_\_\_ for reporting purposes.

 A) Intermediaries (e.g., banks)
 B) Employers and employees
 C) Foreign countries
 D) Personal income tax returns

**58)** \_\_\_\_\_\_\_\_\_\_ pay is based on manufacturing revenue, while \_\_\_\_\_\_\_\_\_\_ pay is based on sales revenue.

 A) Exempt; nonexempt
 B) Commission; overtime
 C) Piece-rate; commission
 D) Commission; piece-rate

**59)** Verification of hours worked and pay accuracy is part of the \_\_\_\_\_\_\_\_\_\_.

 A) Disbursement cycle
 B) Accounts payable reconciliation
 C) CEO's responsibility
 D) Payroll review process

**60)** IRS Regulation 26 CFR 1.6001 mandates \_\_\_\_\_\_\_\_\_\_ procedures as they pertain to payroll records, noting that it is the responsibility of the \_\_\_\_\_\_\_\_\_\_.

 A) File maintenance; employer
 B) Payroll review; payroll supervisor
 C) Check authorization; controller
 D) Employee time review; department manager

**61)** Upon termination from a firm, the employer must disburse the former employee's final pay \_\_\_\_\_\_\_\_\_\_.

 A) Immediately
 B) Within 24 hours
 C) At the next scheduled payday
 D) In accordance with state law

**62)** Payroll records that pertain to employees who have committed fraud or other illegal actions must be \_\_\_\_\_\_\_\_\_\_.

 A) retained for two years
 B) destroyed immediately
 C) retained indefinitely
 D) released to law enforcement officials

**63)** What is the difference in pay practices between salaried exempt and salaried nonexempt workers?

 A) Salaried exempt workers may only work eight hours per day.
 B) Salaried nonexempt workers must not work overtime hours.
 C) Salaried exempt workers must work between 45 and 50 hours per week.
 D) Salaried nonexempt workers may be eligible for overtime pay.

**64)** Robert is a salaried exempt worker whose standard workday consists of eight-hour shifts. During a workweek, he exceeded eight hours of work on two separate days but did not exceed 40 hours during the work week. What is the FLSA provision for the time that he worked past eight hours in a single day?

 A) He must be compensated at overtime rates for any hours past eight in a single day.
 B) He must reduce the time he works on subsequent days to avoid overtime pay.
 C) He must alert his manager of the extra time on the next business day.
 D) No specific FLSA provision exists for work completed in excess of eight hours in a 24-hour period.

**65)** According to the Fair Labor Standards Act, nonexempt workers receive overtime for:

 A) Hours worked in excess of 8 per day and 30 per week.
 B) Hours worked in excess of 40 per week.
 C) Hours worked in excess of 9 per day or 35 per week.
 D) Hours worked in excess of employer-determined rules.

**66)** Christin is a nonexempt employee who works for a firm that has an elected workweek composed of four 10-hour days and pays overtime after 40 hours worked per week. What is the rule about overtime for her work situation?

 A) She must be compensated for all hours worked past 8 in a single day.
 B) She will receive overtime pay when working more than 10 hours during a shift.
 C) She receives overtime only when she works past 40 hours in any given week.
 D) She is not eligible for overtime pay.

**67)** Which of the following is an example of an exempt salaried employee?

 A) Machine Operator
 B) Accounting Clerk
 C) Administrative Assistant
 D) Controller

**68)** A \_\_\_\_\_\_\_\_\_\_ employee isnot eligible for company benefits whereas a \_\_\_\_\_\_\_\_\_\_ employee is eligible.

 A) Independent contractor; temporary
 B) Temporary; part-time
 C) Leased; temporary
 D) Temporary; leased

**69)** The IRS stipulates that no more than \_\_\_\_\_\_\_\_\_\_ percent of a company’s employees may be leased employees.

 A) 10
 B) 20
 C) 30
 D) 40

**70)** Leased employees may not have the following characteristic:

 A) They must work full-time.
 B) They must work part-time.
 C) The recipient company must substantially direct their work activities.
 D) A formal agreement between the employee and employer must exist.

**71)** Regulation \_\_\_\_\_\_\_\_\_\_ mandated disclosure of paycard-relation information and fees to employees.

 A) E
 B) H
 C) P
 D) Z

**72)** The two focuses of payroll procedures are company needs and governmental rules.

 ⊚ true
 ⊚ false

**73)** Employers may choose to omit the employees' home and mailing addresses in their employee files.

 ⊚ true
 ⊚ false

**74)** All FLSA elements must appear on the Employee Information Form.

 ⊚ true
 ⊚ false

**75)** Semimonthly payroll may result in 25 pay periods during a one-year period.

 ⊚ true
 ⊚ false

**76)** Three IRS common-law tests are used to determine if a worker is an employee or independent contractor.

 ⊚ true
 ⊚ false

**77)** New employees must be reported to state offices within 20 days of their initial start date.

 ⊚ true
 ⊚ false

**78)** United States workers in foreign subsidiaries are liable for all income taxes.

 ⊚ true
 ⊚ false

**79)** Pay frequency is the first payroll system decision a company must make.

 ⊚ true
 ⊚ false

**80)** An employee must meet all elements in the exemption tests to be classified as an exempt employee.

 ⊚ true
 ⊚ false

**81)** Payroll data is only as accurate as the person who records it.

 ⊚ true
 ⊚ false

**Answer Key**Test name: Chapter 02 Test Bank - Algorithmic and Static

1) A

2) D

3) B

4) A

5) D

6) C

7) D

8) B

9) B

10) A

11) A

12) C

13) C

14) A

15) D

16) D

17) C

18) A

19) D

20) C

21) C

22) C

23) A

24) B

25) C

26) C

27) A

28) B

29) A

30) A

31) D

32) B

33) A

34) C

35) B

36) C

37) B

38) D

39) C

40) B

41) D

42) D

43) A

44) B

45) B

46) C

47) A

48) A

49) C

50) D

51) B

52) C

53) D

54) B

55) B

56) C

57) A

58) C

59) D

60) A

61) D

62) C

63) D

64) D

65) B

66) C

67) A

68) D

69) B

70) B

71) D

72) TRUE

73) FALSE

74) FALSE

75) FALSE

76) TRUE

77) TRUE

78) FALSE

79) TRUE

80) TRUE

81) TRUE