Payroll Practice Test
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1. The Age Discrimination in Employment Act (ADEA) prohibits discrimination in employment practices for workers who are older than age 50.
   A) True
   B) False

2. Payroll accounting systems may involve an integrated software package that contains business-planning tools.
   A) True
   B) False

3. Payroll taxes were instituted by the 16th Amendment to the United States Constitution:
   A) To pay for governmental salaries.
   B) To make money from businesses that had employees.
   C) To fund infrastructure improvements of booming cities.
   D) To penalize people who needed employment.

4. Jonathan is the payroll accountant for Terrafirm Company. The company has experienced a rise in business that has increased Jonathan's workload to more than double his original amount. Because of the business increase, he has not been able to engage in the continuing professional education (CPE) that his payroll certification requires. When asked by his employer, Jonathan claims to be current with his CPE. According to the AICPA Code of Ethics, which of the following most closely describes the principle that Jonathan has violated?
   A) Objectivity
   B) Due Care
   C) Responsibilities
   D) Public Interest

5. Newly hired employees must be reported to governmental officials within 20 days of starting work for an employer.
   A) True
   B) False
6. Mako was an employee of the Jaeger Corporation. After she voluntarily terminated employment, auditors discovered evidence of fraudulent activity that they traced to her. Mako's records must be retained:
   A) For 10 years.
   B) For 15 years.
   C) For 20 years.
   D) Indefinitely

7. 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.

8. 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

9. Gross pay is the amount of employee compensation prior to deducting any amounts for taxes or other withholdings.
   A) True
   B) False

10. Martha is a regional supervisor who earns a base salary of $35,000 per year plus a 1% commission on all service contracts that she sells to existing customers. The company pays salaries on a semimonthly basis and contract commissions on a quarterly basis. As of September 30, Martha had made $35,950 in contract sales for the third quarter. What will be her gross pay on her next pay date? (Do not round intermediate calculations. Round your answer to 2 decimal places.)
   A) $1,458.33
   B) $1,817.83
   C) $2,053.13
   D) $1,705.65
11. Grainne is an inside salesperson who earns an annual salary of $32,800 (paid biweekly) plus a commission on quarterly sales that is paid on the first pay date on the next quarter. She receives a 1% commission for quarterly sales totaling $0 to $25,000, a 2% commission for quarterly sales totaling between $25,001 and $50,000, and a 3% commission for quarterly sales totaling over $50,001. During the second quarter, Grainne's quarterly sales totaled $46,750. What is her gross pay for the first pay period in July? (Do not round intermediate calculations. Round your answer to 2 decimal places.)

A) $1,729.04  
B) $2,301.67  
C) $2,196.54  
D) $2,664.04

12. Bruce is a nonexempt employee at Grissom Industries, where he works in both the manufacturing and design departments. He is married with three withholding allowances and is paid biweekly. He earns $25 per hour in the manufacturing department and $31.50 per hour in the design department. During the most recent biweekly pay period, he worked a total of 92 hours, 20 of which were in the design department. All overtime was in the manufacturing department. What is his gross pay? (Do not round intermediate calculations. Round your answer to 2 decimal places.)

A) $2,580.00  
B) $2,638.50  
C) $2,697.00  
D) $3,147.00

13. Certain fringe benefits that are not part of a cafeteria plan may be reported on the employee's Form W-2 as income.

A) True  
B) False
14. Michael McBride is an employee of Reach-it Pharmaceuticals. His company car is a 2017 Lexus GS 200t with a fair-market value of $50,000 and a lease value of $13,250, according to Publication 15-b. During the year, Michael drove 45,000 miles, of which 9,000 were for personal use. The car was available for use on 270 of the days during the year. All gasoline was provided by the employer and is charged back to Michael at $0.055 per mile. What is the amount of the company-car fringe benefit that will appear on Michael's W-2, using the lease-value rule? (Do not round intermediate calculations, only round final answer to two decimal points.)
   A) $2,742.77
   B) $2,455.27
   C) $2,156.87
   D) $1,960.27

15. Retirement fund contributions are generally subject to _______ and _______ taxes.
   A) Federal withholding; State withholding
   B) Federal withholding; Social Security
   C) Social Security; Medicare
   D) Federal withholding; Medicare

16. The IRS permits employees to rollover up to _______ in their FSA at the employer's discretion.
   A) $100
   B) $250
   C) $500
   D) $750

17. Federal income tax, Medicare tax, and Social Security tax amounts withheld from employee pay are computed based on gross pay, less pre-tax deductions, and deducted to arrive at net pay.
   A) True
   B) False

18. Paolo is a part-time security guard for a local facility. He earned $298.50 during the most recent weekly pay period and has earned $5,296.00 year-to-date. He is married with four withholding allowances. What is his Medicare tax liability for the pay period?
   A) $43.23
   B) $10.54
   C) $8.65
   D) $4.33
19. Disposable income is defined as:
A) An employee's net pay less living expenses like rent and utilities.
B) An employee's taxable income less Understand Post-Tax Deductions.
C) An employee's gross pay less Identify Pre-Tax Deductions.
D) An employee's pay after legally required deductions have been withheld.

20. Wyatt is a full-time exempt music engineer who earns $150,000 annually and is paid semimonthly. As of November 15, his year-to-date gross pay was $131,250. How much will be withheld for FICA taxes for the November 30 pay date? (Social Security maximum wage is $132,900. Do not round intermediate calculations. Round your final answer to 2 decimal places.)
A) $175.58
B) $224.83
C) $264.20
D) $192.93

21. Van Buuren Enterprises had payroll tax liability of $42,450 during the lookback period. How frequently will the firm deposit its payroll taxes?
A) Monthly
B) Annually
C) Semiweekly
D) Next Business Day

22. FUTA tax rates vary from state to state.
A) True
B) False

23. Which copy of Form W-2 should be retained by the employee?
A) Copy 1
B) Copy D
C) Copy 3
D) Copy C

24. Which of the following best describes the function of a benefit analysis report?
A) It is an analysis of the benefits paid to employees.
B) It is an analysis of each employee's benefit package.
C) It is an analysis of the effect of labor costs on departmental profitability.
D) It is an analysis of each department's benefit to the company.
25. John works for Heinlein Hillclimbers in Wyoming, where he earns $26,500 annually. He contributes $150 per month to his 401(k), of which his employer matches half of his contribution. Heinlein Hillclimbers contributes $150 per month to his health insurance, $30 per month to his life insurance, and $50 per month to his AD&D policy. He receives a 2% profit-sharing bonus at the end of each year and $5,250 in tuition reimbursement. Heinlein pays employer-only taxes and insurance that comprises an additional 18% of John's annual salary. What is John's total annual compensation?

A) $26,500.00  
B) $39,675.25  
C) $40,710.00  
D) $39,633.25

26. A debit always decreases the balance of an account.

A) True  
B) False

27. How does a payroll accountant keep track of employee's year-to-date earnings for wage bases on taxes like FICA, FUTA, and SUTA?

A) Form W-4  
B) Form W-2  
C) Payroll register  
D) Employee earnings record

28. What are the General Journal entries that should appear on each pay date?

A) Employee pay accrual and employee pay disbursement  
B) Employee pay remittance and voluntary deduction remittance  
C) Employee pay recording and employer share payroll taxes recording  
D) Employee pay disbursement and voluntary deduction remittance

29. As of the June 11 pay date, the General Ledger account for Burling Mills has a balance of $14,289 in its Federal withholding tax payable account. A credit of $16,250 is recorded on the June 25 pay date. What is the balance in the account?

A) Debit $1,961  
B) Debit $30,539  
C) Credit $1,961  
D) Credit $30,539

30. It is important that the payroll accountant understand the flow of the payroll transactions, especially when working with ________.
A) The payroll register
B) The employee earnings record
C) Accounting software packages
D) Payroll tax reports
### Payroll Practice Test Answer Sheet

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