# *Payroll Accounting 2017 3rd edition Landin Test Bank*

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# Chapter 02

# Payroll System Procedures

## True / False Questions

1. The two focuses of payroll procedures are company needs and governmental rules.

   True  False

2. Employers may choose to omit the employees' Social Security numbers in their employee files.

   True  False

3. Semimonthly payroll involves a pay cycle in which pay disbursements occur every two weeks.

   True  False

4. Newly hired employees must be reported to governmental officials within 20 days of starting work for an employer.

   True  False

5. Foreign workers in the United States are subject to new hire reporting regulations.

   True  False

6. A worker who sells life insurance on a full-time basis is considered a statutory employee.

   True  False


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7. U.S. workers in foreign subsidiaries are exempt from all income taxes.

True False

8. Pay rate is the first payroll system decision a company must make.

True False

9. Only regular working hours are considered as the worked hours for overtime computation.

True False

10. It is considered a best practice to assign one employee all payroll duties.

True False

## Multiple Choice Questions

11. Which of the following are important decisions that an employer must make regarding its payroll procedures (Select all that apply)?

A. How often to pay employees

B. How to handle pay advances

C. How many employees to hire

D. Which employee benefits to offer

12. Which of the following items must exist in every employee's payroll file?

A. Spouse's social security number

B. Employment history

C. Spouse's birth date

D. Occupation


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13. Why must pay period 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.

14. Which of the following is/are purpose(s) of new hire reporting laws (Select all that apply)?

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 that the employee may legally work in the United States.

D. To keep track of workers and professionals who are subject to licensing regulations.

15. Which pay frequency has 24 pay periods annually?

A. Weekly

B. Biweekly

C. Semimonthly

D. Semiweekly


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16. Which pay frequency has 26 pay periods per year?

A. Bimonthly

B. Biweekly

C. Semimonthly

D. Semiweekly

17. Which pay frequency has 12 pay periods?

A. Daily

B. Weekly

C. Monthl
y

D. Semimonthly

18. What forms are required when an employee is hired (Select all that apply)?

A. W-
4

B. I-
9

C. SS-4

D. W-
2


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19. Ibrahim is the payroll accountant for a firm. He notes that the firm has hired a new employee. What forms must he collect from the new employee?

A. W-2 and I-9

B. W-4 and I-9

C. W-4 and I-8

D. W-3 and I-9

20. If a firm pays its employees biweekly, how often does it disburse employee compensation?

A. Twice per week

B. Every week

C. Every two weeks

D. Every three weeks

21. Why is it important for an employer to classify a worker as either an employee or an independent contractor?

A. For tax reporting purposes

B. For child support obligations purposes

C. For government tracking purposes

D. For reimbursement purposes


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22. Which of the following is a purpose of new hire reporting (Select all that apply)?

A. Immigration agency tracking

B. COBRA benefits administration

C. Communications of ethics violations for clerical workers

D. Child support obligations tracking

23. An employer must have an employee complete 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.

24. Josh, who is 21 years of age, is a new employee of XYZ Company. To establish his identity and employment authorization, he could present:

A. His current United States passport.

B. His library card and birth certificate.

C. His driver's license and ATM card.

D. His college transcript and driver's license.


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25. 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

26. The _____ mandated that new hires must be reported within _____ days to state authorities.

A. Fair Labor Standards Act, 30.

B. Immigration Reform and Control Act, 20.

C. Civil Rights Act, 25.

D. Davis-Bacon Act, 28.

27. Multistate employers must not do which of the following for new hire reporting:

A. File a report with the state offices for the employee's state of residence

B. File a report with the IRS since they have employees in multiple states

C. Designate which state will receive their new hire reporting

D. File a new-hire report with both the state that contains the firm's headquarters and the state that is the employee's primary residence


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28. 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

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

A. Independent contractor

B. Exempt employee

C. Nonexempt employee

D. Statutory employee

30. Allen is an employee of the foreign subsidiary of a United States based company who lives and work in the United Kingdom. According to FATCA, how much of his wages may Allen exclude from United States' taxes, according to 2016 guidelines?

A.$46,500

B.$79,850

C.$101,300

D. None


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31. Which of the following factors assist employers in determining employee pay rates (Select all that apply)?

A. Employee skill

B. Company location

C. Employee age

D. Industry benchmarks

32. Georgeanne works in a company for which her primary job function is the sale 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

33. Stan works for a bakery for which part of his compensation is based on the decoration of wedding and other specialty cakes. His compensation has a _____ element.

A. Performance incentive

B. Commission

C. Piece-rate

D. Nonexempt


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34. Which of the following is subject to overtime in the process of hourly computations, according to FLSA?

A. Time worked in excess of eight hours per day

B. Holiday, sick time, and paid time off

C. Time worked in excess of 40 hours per week

D. Nonexempt employee weekend work

35. Which of the following is a necessary element in an accounting system (Select all that apply)?

A. Internal review

B. Audit control

C. Internal control

D. Audit review

36. A payroll review process increases in complexity when:

A. The company is has few departments and 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.


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37. 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.

38. 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. None of the

39. Which of the following is a potential consequence of incorrect calculation of employee time for payroll purposes (Select all that apply)?

A. Federal penalties for not remitting all taxes due

B. Erosion of available cash because of overpayments to employees

C. Increased stakeholder approval due to employee overpayments

D. An increase in legal proceedings initiated by employees


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40. 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 and forwarded to the payroll clerk.

41. 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.

42. 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. Compliance with company policy

D. FATCA requirements


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43. 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

44. Explain Pay Records and Employee File Maintenance is the responsibility of the:

A. Employee.

B. Employer.

C. Payroll vendor.

D. State government.

45. Computerized payroll records are considered a(n):

A. Open system.

B. Open access.

C. Closed system.

D. Closed access.


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46. 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.

47. 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 employee terminates employment.

48. 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. All employees of the firm

D. The Department of Homeland Security


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49. Which of the following is true about document retention requirement per the IRS statute of limitations (Select all that apply)?

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.

50. 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.

51. Max Johnson was terminated from a company in South Carolina because of a reduction in workforce. Which statement best describes the state's requirements for disbursement of his final pay?

A. Within 48 hours..

B. At the next scheduled pay date..

C. On the next business day..

D. Within two weeks.


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52. Natalie is involuntarily terminated by a company in Alabama. According to state regulations, when must she receive her 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

53. A firm needs to destroy paper payroll records after the end of the retention period. Which of the following is an option for destruction purposes (Select all that apply)?

A. Shredding

B. Discarding

C. Pulping

D. Burning

54. Geoff is the payroll clerk for a firm that maintains its payroll through computerized records on a centralized server. One of his responsibilities is Explain Pay Records and 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 and all backups.

D. He should send an interoffice request to have someone in the information technology departmer remove the record from the server.


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55. 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.

56. 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.

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

A. The salesperson must receive termination 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 b delayed.


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58. What types of records does IRS Regulation 26 CFR 1.6001 cover (Select all that apply)?

A. Manual pay records

B. Computerized pay records

C. Outsourced payroll records

D. Independent contractor remittance

59. Well-designed internal controls promote (Select all that apply):

A. Legal compliance and file integrity.

B. Opportunities for defalcation.

C. Protection against embezzlement.

D. Audit trail support.

60. 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.


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61. Individuals classified as _____ are processed as vendors of a firm.

A. Exempt employees.

B. Nonexempt employees.

C. Government contract employees.

D. Independent contractors.

62. _____ payroll is processed every two weeks and will usually result in a lower gross pay per pay period than _____ payroll.

A. Weekly; monthly.

B. Semimonthly; biweekly.

C. Biweekly; semimonthly.

D. Daily; biweekly.

63. 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


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64. Personnel in certain full-time occupations are classified as _____ instead of independent contractors.

A. Contract employees

B. Executive workers

C. Statutory employees

D. Non-statutory workers

65. 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

66. _____ pay is based on sales revenue, while _____ pay is based on manufacturing.

A. Exempt; nonexempt

B. Commission; overtime

C. Piece-rate; commission

D. Commission: piece-rate


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67. 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.

68. 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.


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69. Upon termination from a firm, 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.

70. Payroll records that contain evidence of fraud or other illegal action must be _____.

A. retained for two years.

B. destroyed immediately.

C. retained indefinitely.

D. released to law enforcement officials.


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# Chapter 02 Payroll System Procedures Answer Key

## True / False Questions

1. The two focuses of payroll procedures are company needs and governmental rules.

TRUE

*AACSB: Analytic*
*AICPA: BB Industry*
*AICPA: FN Reporting*
*Blooms: Understand*
*Difficulty: Easy*
*Learning Objective: 02-01 Identify Important Payroll Procedures and Pay Cycles*
*Topic: Identify Important Payroll Procedures and Pay Cycles*

2. Employers may choose to omit the employees' Social Security numbers in their employee files.

FALSE

Explanation: Social Security numbers must be included in all employee files

*AACSB: Analytic*
*AICPA: BB Resource Management*
*AICPA: FN Decision Making*
*Blooms: Understand*
*Difficulty: Easy*
*Learning Objective: 02-01 Identify Important Payroll Procedures and Pay Cycles*
*Topic: Identify Important Payroll Procedures and Pay Cycles*

3. Semimonthly payroll involves a pay cycle in which pay disbursements occur every two weeks.

FALSE

Explanation: Semimonthly payroll disbursements occur twice per month.

*AACSB: Analytic*
*AICPA: BB Industry*
*AICPA: FN Measurement*
*Blooms: Apply*
*Difficulty: Easy*
*Learning Objective: 02-01 Identify Important Payroll Procedures and Pay Cycles*
*Topic: Identify Important Payroll Procedures and Pay Cycles*


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4. Newly hired employees must be reported to governmental officials within 20 days of starting work for an employer.

TRUE

*AACSB: Communication*
*AICPA: BB Legal*
*AICPA: FN Reporting*
*Blooms: Understand*
*Difficulty: Easy*
*Learning Objective: 02-02 Prepare Required Employee Documentation*
*Topic: Prepare Required Employee Documentation*

5. Foreign workers in the United States are subject to new hire reporting regulations.

TRUE

*AACSB: Diversity*
*AICPA: BB Legal*
*AICPA: FN Reporting*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-02 Prepare Required Employee Documentation*
*Topic: Prepare Required Employee Documentation*

6. A worker who sells life insurance on a full-time basis is considered a statutory employee.

TRUE

*AACSB: Reflective Thinking*
*AICPA: BB Industry*
*AICPA: FN Decision Making*
*Blooms: Apply*
*Difficulty: Easy*
*Learning Objective: 02-02 Prepare Required Employee Documentation*
*Topic: Prepare Required Employee Documentation*


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7. U.S. workers in foreign subsidiaries are exempt from all income taxes.

FALSE

Explanation: Under FATCA, U.S. workers in foreign subsidiaries are only tax-exempt on the first $101,300 of annual income (2016 figure)

*AACSB: Diversity*
*AICPA: BB Critical Thinking*
*AICPA: FN Reporting*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-02 Prepare Required Employee Documentation*
*Topic: Prepare Required Employee Documentation*

8. Pay rate is the first payroll system decision a company must make.

FALSE

Explanation: The first payroll system decision is the pay frequency.

*AACSB: Reflective Thinking*
*AICPA: BB Critical Thinking*
*AICPA: FN Measurement*
*`Difficulty: Medium*
*Learning Objective: 02-03 Explain Pay Records and Employee File Maintenance*
*Topic: Explain Pay Records and Employee File Maintenance*

9. Only regular working hours are considered as the worked hours for overtime computation.

TRUE

*AACSB: Analytic*
*AICPA: BB Industry*
*AICPA: FN Decision Making*
*Blooms: Analyze*
*Difficulty: Medium*
*Learning Objective: 02-03 Explain Pay Records and Employee File Maintenance*
*Topic: Explain Pay Records and Employee File Maintenance*


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10. It is considered a best practice to assign one employee all payroll duties.

FALSE

Explanation: A best practice in payroll accounting is the separation of duties among multiple employees.

*AACSB: Reflective Thinking*
*AICPA: BB Critical Thinking*
*AICPA: FN Decision Making*
*Blooms: Evaluate*
*Difficulty: Medium*
*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*
*Topic: Describe Internal Controls and Record Retention for a Payroll System*


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## Multiple Choice Questions

11. Which of the following are important decisions that an employer must make regarding its payroll procedures (Select all that apply)?

    A. How often to pay employees

    B. How to handle pay advances

    C. How many employees to hire

    D. Which employee benefits to offer

*AACSB: Reflective Thinking*
*AICPA: BB Resource Management*
*AICPA: FN Decision Making*
*Blooms: Evaluate*
*Difficulty: Medium*
*Learning Objective: 02-01 Identify Important Payroll Procedures and Pay Cycles*
*Topic: Identify Important Payroll Procedures and Pay Cycles*

12. Which of the following items must exist in every employee's payroll file?

    A. Spouse's social security number

    B. Employment history

    C. Spouse's birth date

    D. Occupation

*AACSB: Communication*
*AICPA: BB Legal*
*AICPA: FN Reporting*
*Blooms: Analyze*
*Difficulty: Medium*
*Learning Objective: 02-01 Identify Important Payroll Procedures and Pay Cycles*
*Topic: Identify Important Payroll Procedures and Pay Cycles*


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13. Why must pay period 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.

*AACSB: Communication*
*AICPA: BB Legal*
*AICPA: FN Reporting*
*Blooms: Analyze*
*Difficulty: Medium*
*Learning Objective: 02-01 Identify Important Payroll Procedures and Pay Cycles*
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14. Which of the following is/are purpose(s) of new hire reporting laws (Select all that apply)?

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 that the employee may legally work in the United States.

D. To keep track of workers and professionals who are subject to licensing regulations.

*AACSB: Analytic*
*AICPA: BB Legal*
*AICPA: FN Research*
*Blooms: Evaluate*
*Difficulty: Medium*
*Learning Objective: 02-02 Prepare Required Employee Documentation*
*Topic: Prepare Required Employee Documentation*


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15. Which pay frequency has 24 pay periods annually?

A. Weekly

B. Biweekly

C. Semimonthly

D. Semi-weekly

*AACSB: Analytic*
*AICPA: BB Industry*
*AICPA: FN Reporting*
*Blooms: Remember*
*Difficulty: Easy*
*Learning Objective: 02-01 Identify Important Payroll Procedures and Pay Cycles*
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16. Which pay frequency has 26 pay periods per year?

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17. Which pay frequency has 12 pay periods?

A. Daily

B. Weekly

C. Monthly

D. Semimonthly

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*Blooms: Evaluate*
*Difficulty: Medium*
*Learning Objective: 02-01 Identify Important Payroll Procedures and Pay Cycles*
*Topic: Identify Important Payroll Procedures and Pay Cycles*

18. What forms are required when an employee is hired (Select all that apply)?

A. W-4

B. I-9

C. SS-4

D. W-2

*AACSB: Reflective Thinking*
*AICPA: BB Legal*
*AICPA: FN Reporting*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-02 Prepare Required Employee Documentation*
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A. W-2 and I-9

B. W-4 and I-9

C. W-4 and I-8

D. W-3 and I-9

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*AICPA: BB Legal*
*AICPA: FN Reporting*
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20. If a firm pays its employees biweekly, how often does it disburse employee compensation?

A. Twice per week

B. Every week

C. Every two weeks

D. Every three weeks

*AACSB: Reflective Thinking*
*AICPA: BB Resource Management*
*AICPA: FN Decision Making*
*Blooms: Apply*
*Difficulty: Easy*
*Learning Objective: 02-01 Identify Important Payroll Procedures and Pay Cycles*
*Topic: Identify Important Payroll Procedures and Pay Cycles*


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21. Why is it important for an employer to classify a worker as either an employee or an independent contractor?

A. For tax reporting purposes

B. For child support obligations purposes

C. For government tracking purposes

D. For reimbursement purposes

*AACSB: Reflective Thinking*
*AICPA: BB Legal*
*AICPA: FN Reporting*
*Blooms: Evaluate*
*Difficulty: Medium*
*Learning Objective: 02-02 Prepare Required Employee Documentation*
*Topic: Prepare Required Employee Documentation*

22. Which of the following is a purpose of new hire reporting (Select all that apply)?

A. Immigration agency tracking

B. COBRA benefits administration

C. Communications of ethics violations for clerical workers

D. Child support obligations tracking

*AACSB: Reflective Thinking*
*AICPA: BB Critical Thinking*
*AICPA: FN Reporting*
*Blooms: Evaluate*
*Difficulty: Medium*
*Learning Objective: 02-02 Prepare Required Employee Documentation*
*Topic: Prepare Required Employee Documentation*


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23. An employer must have an employee complete 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.

*AACSB: Communication*
*AICPA: BB Legal*
*AICPA: FN Reporting*
*Blooms: Evaluate*
*Difficulty: Medium*
*Learning Objective: 02-02 Prepare Required Employee Documentation*
*Topic: Prepare Required Employee Documentation*

24. Josh, who is 21 years of age, is a new employee of XYZ Company. To establish his identity and employment authorization, he could present:

A. His current United States passport.

B. His library card and birth certificate.

C. His driver's license and ATM card.

D. His college transcript and driver's license.

*AACSB: Communication*
*AICPA: BB Legal*
*AICPA: FN Reporting*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-02 Prepare Required Employee Documentation*
*Topic: Prepare Required Employee Documentation*


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25. 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

*AACSB: Reflective Thinking*
*AICPA: BB Critical Thinking*
*AICPA: FN Decision Making*
*Blooms: Evaluate*
*Difficulty: Medium*
*Learning Objective: 02-02 Prepare Required Employee Documentation*
*Topic: Prepare Required Employee Documentation*

26. The _____ mandated that new hires must be reported within _____ days to state authorities.

A. Fair Labor Standards Act, 30.

**B.** Immigration Reform and Control Act, 20.

C. Civil Rights Act, 25.

D. Davis-Bacon Act, 28.

*AACSB: Reflective Thinking*
*AICPA: BB Legal*
*AICPA: FN Research*
*Blooms: Analyze*
*Difficulty: Medium*
*Learning Objective: 02-02 Prepare Required Employee Documentation*
*Topic: Prepare Required Employee Documentation*


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27. Multistate employers must do which of the following for new hire reporting (Select all that apply)?

A. File a report with the state offices for the employee's state of residence

B. File a report with the IRS since they have employees in multiple states

C. Designate which state will receive their new hire reporting

D. File a new-hire report with both the state that contains the firm's headquarters and the state tha is the employee's primary residence

*AACSB: Communication*
*AICPA: BB Legal*
*AICPA: FN Reporting*
*Blooms: Analyze*
*Difficulty: Medium*
*Learning Objective: 02-02 Prepare Required Employee Documentation*
*Topic: Prepare Required Employee Documentation*

28. 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

*AACSB: Diversity*
*AICPA: BB Resource Management*
*AICPA: FN Research*
*Blooms: Analyze*
*Difficulty: Medium*
*Learning Objective: 02-02 Prepare Required Employee Documentation*
*Topic: Prepare Required Employee Documentation*


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

A. Independent contractor

B. Exempt employee

C. Nonexempt employee

D. Statutory employee

*AACSB: Reflective Thinking*
*AICPA: BB Industry*
*AICPA: FN Decision Making*
*Blooms: Analyze*
*Difficulty: Hard*
*Learning Objective: 02-02 Prepare Required Employee Documentation*
*Topic: Prepare Required Employee Documentation*

30. Allen is an employee of the foreign subsidiary of a United States based company who lives and work in the United Kingdom. According to FATCA, how much of his wages may Allen exclude from United States' taxes, according to 2016 guidelines?

A.$46,500
B.$79,850
C.$101,300
D. None

*AACSB: Diversity*
*AICPA: BB Legal*
*AICPA: FN Reporting*
*Blooms: Understand*
*Difficulty: Easy*
*Learning Objective: 02-02 Prepare Required Employee Documentation*
*Topic: Prepare Required Employee Documentation*


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31. Which of the following factors assist employers in determining employee pay rates (Select all that apply)?

A. Employee skill

B. Company location

C. Employee age

D. Industry benchmarks

*AACSB: Reflective Thinking*
*AICPA: BB Legal*
*AICPA: FN Research*
*Blooms: Apply*
*Difficulty: Hard*
*Learning Objective: 02-03 Explain Pay Records and Employee File Maintenance*
*Topic: Explain Pay Records and Employee File Maintenance*

32. Georgeanne works in a company for which her primary job function is the sale 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

*AACSB: Analytic*
*AICPA: BB Resource Management*
*AICPA: FN Research*
*Blooms: Analyze*
*Difficulty: Easy*
*Learning Objective: 02-03 Explain Pay Records and Employee File Maintenance*
*Topic: Explain Pay Records and Employee File Maintenance*


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33. Stan works for a bakery for which part of his compensation is based on the decoration of wedding and other specialty cakes. His compensation has a _____ element.

A. Performance incentive

B. Commission

C. Piece-rate

D. Nonexempt

*AACSB: Analytic*
*AICPA: BB Resource Management*
*AICPA: FN Research*
*Blooms: Analyze*
*Difficulty: Medium*
*Learning Objective: 02-03 Explain Pay Records and Employee File Maintenance*
*Topic: Explain Pay Records and Employee File Maintenance*

34. Which of the following is subject to overtime in the process of hourly computations, according to FLSA?

A. Time worked in excess of eight hours per day

B. Holiday, sick time, and paid time off

C. Time worked in excess of 40 hours per week

D. Nonexempt employee weekend work

*AACSB: Analytic*
*AICPA: BB Legal*
*AICPA: FN Decision Making*
*Blooms: Analyze*
*Difficulty: Medium*
*Learning Objective: 02-03 Explain Pay Records and Employee File Maintenance*
*Topic: Explain Pay Records and Employee File Maintenance*


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35. Which of the following is a necessary element in an accounting system (Select all that apply)?

A. Internal review

B. Audit control

C. Internal control

D. Audit review

*AACSB: Reflective Thinking*
*AICPA: BB Critical Thinking*
*AICPA: FN Decision Making*
*Blooms: Apply*
*Difficulty: Hard*
*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*
*Topic: Describe Internal Controls and Record Retention for a Payroll System*

36. A payroll review process increases in complexity when:

A. The company is has few departments and 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.

*AACSB: Analytic*
*AICPA: BB Resource Management*
*AICPA: FN Measurement*
*Blooms: Analyze*
*Difficulty: Medium*
*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*
*Topic: Describe Internal Controls and Record Retention for a Payroll System*


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37. Outsourcing the payroll process:

A. Relieves the company of the task completion and the review process.

**B.** Relieves the company of certain 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.

*AACSB: Reflective Thinking*
*AICPA: BB Leveraging Technology*
*AICPA: FN Decision Making*
*Blooms: Evaluate*
*Difficulty: Hard*
*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*
*Topic: Describe Internal Controls and Record Retention for a Payroll System*

38. 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. None of the

*AACSB: Reflective Thinking*
*AICPA: BB Resource Management*
*AICPA: FN Decision Making*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*
*Topic: Describe Internal Controls and Record Retention for a Payroll System*


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39. Which of the following is a potential consequence of incorrect calculation of employee time for payroll purposes (Select all that apply)?

A. Federal penalties for not remitting all taxes due

B. Erosion of available cash because of overpayments to employees

C. Increased stakeholder approval due to employee overpayments

D. An increase in legal proceedings initiated by employees

*AACSB: Reflective Thinking*
*AICPA: BB Critical Thinking*
*AICPA: FN Reporting*
*Blooms: Evaluate*
*Difficulty: Hard*
*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*
*Topic: Describe Internal Controls and Record Retention for a Payroll System*

40. 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 and forwarded to the payroll clerk.

*AACSB: Communication*
*AICPA: BB Resource Management*
*AICPA: FN Reporting*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*
*Topic: Describe Internal Controls and Record Retention for a Payroll System*


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41. 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.

*AACSB: Communication*
*AICPA: BB Resource Management*
*AICPA: FN Reporting*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*
*Topic: Describe Internal Controls and Record Retention for a Payroll System*

42. 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. Compliance with company policy

D. FATCA requirements

*AACSB: Ethics*
*AICPA: BB Industry*
*AICPA: FN Risk Analysis*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*
*Topic: Describe Internal Controls and Record Retention for a Payroll System*


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43. 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

*AACSB: Reflective Thinking*
*AICPA: BB Critical Thinking*
*AICPA: FN Research*
*Blooms: Analyze*
*Difficulty: Medium*
*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*
*Topic: Describe Internal Controls and Record Retention for a Payroll System*

44. Employee file maintenance is the responsibility of the:

A. Employee.

B. Employer.

C. Payroll vendor.

D. State government.

*AACSB: Reflective Thinking*
*AICPA: BB Resource Management*
*AICPA: FN Decision Making*
*Blooms: Evaluate*
*Difficulty: Hard*
*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*
*Topic: Describe Internal Controls and Record Retention for a Payroll System*


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45. Computerized payroll records are considered a(n):

A. Open system.

B. Open access.

C. Closed system.

D. Closed access.

*AACSB: Technology*
*AICPA: BB Leveraging Technology*
*AICPA: FN Leveraging Technology*
*Blooms: Understand*
*Difficulty: Easy*
*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*
*Topic: Describe Internal Controls and Record Retention for a Payroll System*

46. 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.

*AACSB: Reflective Thinking*
*AICPA: BB Resource Management*
*AICPA: FN Decision Making*
*Blooms: Create*
*Difficulty: Hard*
*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*
*Topic: Describe Internal Controls and Record Retention for a Payroll System*


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47. 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 employee terminates employment.

*AACSB: Analytic*
*AICPA: BB Resource Management*
*AICPA: FN Risk Analysis*
*Blooms: Analyze*
*Difficulty: Hard*
*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*
*Topic: Describe Internal Controls and Record Retention for a Payroll System*

48. 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. All employees of the firm

D. The Department of Homeland Security

*AACSB: Communication*
*AICPA: BB Resource Management*
*AICPA: FN Risk Analysis*
*Blooms: Evaluate*
*Difficulty: Medium*
*Learning Objective: 02-05 Discuss Employee Termination and Document Destruction Procedures*
*Topic: Discuss Employee Termination and Document Destruction Procedures*


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49. Which of the following is true about document retention requirement per the IRS statute of limitations (Select all that apply)?

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.

*AACSB: Analytic*
*AICPA: BB Legal*
*AICPA: FN Risk Analysis*
*Blooms: Evaluate*
*Difficulty: Hard*
*Learning Objective: 02-05 Discuss Employee Termination and Document Destruction Procedures*
*Topic: Discuss Employee Termination and Document Destruction Procedures*

50. 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.

*AACSB: Reflective Thinking*
*AICPA: BB Legal*
*AICPA: FN Risk Analysis*
*Blooms: Analyze*
*Difficulty: Medium*
*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*
*Topic: Describe Internal Controls and Record Retention for a Payroll System*


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51. Max Johnson was terminated from a company in South Carolina because of a reduction in workforce. Which statement best describes the state's requirements for disbursement of his final pay?

A. Within 48 hours.

B. At the next scheduled pay date.

C. On the next business day..

D. Within two weeks.

*AACSB: Analytic*
*AICPA: BB Resource Management*
*AICPA: FN Research*
*Blooms: Analyze*
*Difficulty: Medium*
*Learning Objective: 02-05 Discuss Employee Termination and Document Destruction Procedures*
*Topic: Discuss Employee Termination and Document Destruction Procedures*

52. Natalie is involuntarily terminated by a company in Alabama. According to state regulations, when must she receive her 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

*AACSB: Analytic*
*AICPA: BB Legal*
*AICPA: FN Decision Making*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-05 Discuss Employee Termination and Document Destruction Procedures*
*Topic: Discuss Employee Termination and Document Destruction Procedures*


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53. A firm needs to destroy paper payroll records after the end of the retention period. Which of the following is an option for destruction purposes (Select all that apply)?

A. Shredding

B. Discarding

C. Pulping

D. Burning

*AACSB: Reflective Thinking*
*AICPA: BB Resource Management*
*AICPA: FN Risk Analysis*
*Blooms: Understand*
*Difficulty: Easy*
*Learning Objective: 02-05 Discuss Employee Termination and Document Destruction Procedures*
*Topic: Discuss Employee Termination and Document Destruction Procedures*

54. Geoff is the payroll clerk for a firm that maintains its payroll through computerized records on a centralized server. 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.

*AACSB: Technology*
*AICPA: BB Leveraging Technology*
*AICPA: FN Leveraging Technology*
*Blooms: Evaluate*
*Difficulty: Hard*
*Learning Objective: 02-05 Discuss Employee Termination and Document Destruction Procedures*
*Topic: Discuss Employee Termination and Document Destruction Procedures*


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55. 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.

*AACSB: Analytic*
*AICPA: BB Industry*
*AICPA: FN Decision Making*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-05 Discuss Employee Termination and Document Destruction Procedures*
*Topic: Discuss Employee Termination and Document Destruction Procedures*

56. 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.

*AACSB: Analytic*
*AICPA: BB Legal*
*AICPA: FN Reporting*
*Blooms: Analyze*
*Difficulty: Medium*
*Learning Objective: 02-05 Discuss Employee Termination and Document Destruction Procedures*
*Topic: Discuss Employee Termination and Document Destruction Procedures*


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

A. The salesperson must receive termination 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.

*AACSB: Analytic*
*AICPA: BB Critical Thinking*
*AICPA: FN Decision Making*
*Blooms: Evaluate*
*Difficulty: Hard*
*Learning Objective: 02-05 Discuss Employee Termination and Document Destruction Procedures*
*Topic: Discuss Employee Termination and Document Destruction Procedures*

58. What types of records does IRS Regulation 26 CFR 1.6001 cover (Select all that apply)?

A. Manual pay records

B. Computerized pay records

C. Outsourced payroll records

D. Independent contractor remittance

*AACSB: Analytic*
*AICPA: BB Legal*
*AICPA: FN Research*
*Blooms: Analyze*
*Difficulty: Hard*
*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*
*Topic: Describe Internal Controls and Record Retention for a Payroll System*


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59. Well-designed internal controls promote (Select all that apply):

A. Legal compliance and file integrity.

B. Opportunities for defalcation.

C. Protection against embezzlement.

D. Audit trail support.

*AACSB: Analytic*
*AICPA: BB Critical Thinking*
*AICPA: FN Research*
*Blooms: Evaluate*
*Difficulty: Hard*
*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*
*Topic: Describe Internal Controls and Record Retention for a Payroll System*

60. 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.

*AACSB: Communication*
*AICPA: BB Resource Management*
*AICPA: FN Reporting*
*Blooms: Apply*
*Blooms: Evaluate*
*Difficulty: Medium*
*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*
*Topic: Describe Internal Controls and Record Retention for a Payroll System*


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61. Individuals classified as _____ are processed as vendors of a firm.

A. Exempt employees.

B. Nonexempt employees.

C. Government contract employees.

D. Independent contractors.

*AACSB: Reflective Thinking*
*AICPA: BB Industry*
*AICPA: FN Reporting*
*Blooms: Understand*
*Difficulty: Easy*
*Learning Objective: 02-01 Identify Important Payroll Procedures and Pay Cycles*
*Learning Objective: 02-02 Prepare Required Employee Documentation*
*Topic: Identify Important Payroll Procedures and Pay Cycles*

62. _____ payroll is processed every two weeks and will usually result in a lower gross pay per pay period than _____ payroll.

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

*AACSB: Reflective Thinking*
*AICPA: BB Critical Thinking*
*AICPA: FN Measurement*
*Blooms: Analyze*
*Difficulty: Medium*
*Learning Objective: 02-01 Identify Important Payroll Procedures and Pay Cycles*
*Topic: Identify Important Payroll Procedures and Pay Cycles*


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63. 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

*AACSB: Communication*
*AICPA: BB Legal*
*AICPA: FN Reporting*
*Blooms: Remember*
*Difficulty: Easy*
*Learning Objective: 02-02 Prepare Required Employee Documentation*
*Topic: Prepare Required Employee Documentation*

64. Personnel in certain full-time occupations are classified as _____ instead of independent contractors.

A. Contract employees

B. Executive workers

C. Statutory employees

D. Non-statutory workers

*AACSB: Analytic*
*AICPA: BB Industry*
*AICPA: FN Reporting*
*Blooms: Understand*
*Difficulty: Easy*
*Learning Objective: 02-02 Prepare Required Employee Documentation*
*Topic: Prepare Required Employee Documentation*


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65. 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

*AACSB: Diversity*
*AICPA: BB Global*
*AICPA: FN Reporting*
*Blooms: Analyze*
*Difficulty: Medium*
*Learning Objective: 02-02 Prepare Required Employee Documentation*
*Topic: Prepare Required Employee Documentation*

66. _____ pay is based on sales revenue, while _____ pay is based on manufacturing.

A. Exempt; nonexempt

B. Commission; overtime

C. Piece-rate; commission

D. Commission: piece-rate

*AACSB: Reflective Thinking*
*AICPA: BB Industry*
*AICPA: FN Measurement*
*Blooms: Understand*
*Difficulty: Easy*
*Learning Objective: 02-03 Explain Pay Records and Employee File Maintenance*
*Topic: Explain Pay Records and Employee File Maintenance*


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67. 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.

*AACSB: Analytic*
*AICPA: BB Critical Thinking*
*AICPA: FN Risk Analysis*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*
*Topic: Describe Internal Controls and Record Retention for a Payroll System*

68. 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.

*AACSB: Reflective Thinking*
*AICPA: BB Resource Management*
*AICPA: FN Risk Analysis*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*
*Topic: Describe Internal Controls and Record Retention for a Payroll System*


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69. Upon termination from a firm, 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.

*AACSB: Communication*
*AICPA: BB Legal*
*AICPA: FN Research*
*Blooms: Apply*
*Difficulty: Medium*
*Learning Objective: 02-05 Discuss Employee Termination and Document Destruction Procedures*
*Topic: Discuss Employee Termination and Document Destruction Procedures*

70. Payroll records that contain evidence of fraud or other illegal action must be _____.

A. retained for two years.

B. destroyed immediately.

C. retained indefinitely.

D. released to law enforcement officials.

*AACSB: Reflective Thinking*
*AICPA: BB Legal*
*AICPA: FN Research*
*Blooms: Analyze*
*Difficulty: Medium*
*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*
*Topic: Describe Internal Controls and Record Retention for a Payroll System*


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