Payroll Accounting 2016 2nd edition Landin Test Bank

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Chapter 02

Payroll System Procedures

True / False Questions

1. The two main 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 working with 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 income taxes.

True False

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

True False

9. Holiday hours, sick time taken, and vacation days are not considered in the worked hours for overtime computation.

True False

10. Separation of duties is not considered a payroll best practice.

True False

Multiple Choice Questions

11. Which of the following is not an important decision that an employer must make regarding 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?

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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

13. According to the Fair Labor Standards Act, 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 not 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 that the employee may legally work in the United States.

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

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15. Which pay frequency has 24 pay periods annually?

A. Weekly

B. Biweekly

C. Semimonthly

D. Semiweekly

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

A. Bimonthly

B. Biweekly

C. Semimonthly

D. Semiweekly

17. Which of the following is not a commonly used pay frequency?

A. Daily

B. Weekly

C. Monthl
y

D. Semimonthly

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18. What form is the first step in employer documentation?

A. W-4

B. I-9

C. SS-4

D. W-2

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

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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

22. Which of the following is not a purpose of new hire reporting?

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.

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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.

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 Act, 20.

C. Civil Rights Act, 25.

D. Davis-Bacon Act, 28.

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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 states that contains the firm's headquarters and the state that is the employee's primary residence

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

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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 2015 guidelines?

A. None

B. $46,500

C. $79,850

D. $100,800

31. Which of the following factors is not a determinant in pay rate?

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. Her compensation contains a _____ element.

A. Piece-rate

B. Commission

C. Pay-for-performance

D. Nonexempt

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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

34. Which of the following is not subject to overtime in the process of hourly computations?

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 pervasive in the accounting system?

A. Internal review

B. Audit control

C. Internal control

D. Audit review

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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.

37. Outsourcing the payroll process:

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

B. Relieves the company of some of the 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

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39. Which of the following is not a 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 overpayments to employees

C. Increased stakeholder approval due to employee overpayments

D. An increase in legal proceedings initiated by employees

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.

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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

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.

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

A. Open system.

B. Open access.

C. Closed system.

D. Closed access.

46. When developing the Describe 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.

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48. Which of the following 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

49. Which of the following is false about document destruction requirements?

A. Federal legislation required documents to be retained for two years after the employee's termination.

B. Personnel 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.

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51. Max Johnson was terminated from a company because of a reduction in workforce. Which statement best describes his severance package requirements?

A. No severance package is required.

B. He must receive at least one months' wages or salary.

C. He must receive a settlement equal to half his annual salary.

D. He must receive a fixed dollar amount because he was laid-off.

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 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 not an option?

A. Shredding

B. Discarding

C. Pulping

D. Burning

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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 department remove the record from the server.

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 day, 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 is part of an employee's final pay?

A. Hours worked

B. Vacation previously paid.

C. Severance pay

D. Sick time accrued but not used.

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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.

58. 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

59. Well-designed internal controls do not promote:

A. Legal compliance and file integrity.

B. Opportunities for
defalcation.

C. Protection against embezzlement.

D. Audit trail
support.

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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.

61. Individuals treated as _____ are processed as vendors.

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.

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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

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

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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

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. No federal regulation exists.

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 main 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

   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

   AACSB: Analytic
   AICPA: BB Industry
   AICPA: FN Measurement
   Blooms: Apply
   Difficulty: Easy
   Learning Objective: 02-01 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 working with an employer.

   TRUE

AACSB: Communication
AICPA: BB Lega
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 Lega
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

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

   FALSE

AACSB: Diversity
AICPA: BB Critical Thinking
AICPA: FN Reporting
Blooms: Apply
Difficulty: Medium

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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

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

9. Holiday hours, sick time taken, and vacation days are not considered in 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

10. Separation of duties is not considered a payroll best practice.

FALSE

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

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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
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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. According to the Fair Labor Standards Act, 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 Lega
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 not 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 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 Lega
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. Semi-monthly

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
Topic: Identify Important Payroll Procedures and Pay Cycles

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

A. Bimonthly

B. Biweekly

C. Semi-monthly

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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17. Which of the following is not a commonly used pay frequency?

A. Daily

B. Weekly

C. Monthly

D. Semimonthly

AACSB: Analytic
AICPA: BB Industry
AICPA: FN Reporting
Blooms: Evaluate
Difficulty: Medium
Learning Objective: 02-01 Identify Important Payroll Procedures and Pay Cycles
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18. What form is the first step in employer documentation?

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: 02-01 Identify Important Payroll Procedures and Pay Cycles
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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

AACSB: Communication
AICPA: BB Lega
AICPA: FN Reporting
Blooms: Apply
Difficulty: Easy
Learning Objective: 02-02 Prepare Required Employee Documentation
Topic: Prepare Required Employee Documentation

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

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AICPA: BB Resource Management
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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 Lega
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 not a purpose of new hire reporting?

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
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Learning Objective: 02-02 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 Lega
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 Lega
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 Act, 20.

C. Civil Rights Act, 25.

D. Davis-Bacon Act, 28.

AACSB: Reflective Thinking
AICPA: BB Lega
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 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 states that contains the firm's headquarters and the state that is the employee's primary residence

AACSB: Communication
AICPA: BB Lega
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 2015 guidelines?

A. None

B. $46,500

C. $79,850

D. $100,800

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 is not a determinant in pay rate?

A. Employee skill

B. Company location

C. Employee age

D. Industry benchmarks

AACSB: Reflective Thinking
AICPA: BB Lega
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. 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 not subject to overtime in the process of hourly computations?

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 pervasive in the accounting system?

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 some of the 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.

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 not a 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 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 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 false about document destruction requirements?

A. Federal legislation required documents to be retained for two years after the employee's termination.

B. Personnel 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 Lega
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 Lega
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 because of a reduction in workforce. Which statement best describes his severance package requirements?

A. No severance package is required.

B. He must receive at least one months' wages or salary.

C. He must receive a settlement equal to half his annual salary.

D. He must receive a fixed dollar amount because he was laid-off.

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 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 not an option?

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 and all backups.

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 day, 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 is part of 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 Lega
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 not cover?

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 do not promote:

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 treated as _____ are processed as vendors.

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 Lega
AICPA: FN Reporting
Blooms: Remembe
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 Globa
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. No federal regulation exists.

AACSB: Communication
AICPA: BB Lega
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 Lega
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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