

EXAMINATION QUESTIONS

To aid instructors using *Payroll Accounting*, we have provided a section of examination questions in this manual. The section contains true-false and multiple-choice questions for Chapter 1, with the addition of short problems for Chapters 2, 3, 4, 5, and 6, arranged according to the presentation of the subject matter within these chapters of the textbook.

There is a sufficient number of test questions so that you may vary your examinations from semester to semester or prepare different examinations for each section of the course you may be teaching. Each of the true-false and multiple-choice questions is preceded by a letter answer to the question and a page reference to the textbook page upon which the answer may be found.

CHAPTER 1

True-False Questions

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1-3 | 1. The current minimum wage set by the Fair Labor Standards Act is \$7.25 per hour. |
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1-3 | 2. The FLSA imposes no recordkeeping requirements on employers. |
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1-3 | 3. The employer is required by the FLSA to display a poster that informs employees of the provisions of the law. |
| F
1-3 | 4. All states have set their minimum wage to be the same as the federal government. |
| F
1-4 | 5. Restrictions on the employment of child labor are established by the Federal Insurance Contributions Act. |
| F
1-4 | 6. The FLSA provides health insurance for the aged and disabled (Medicare). |
| T
1-4 | 7. The tax paid to the federal government for unemployment taxes is used for paying state and federal administrative expenses of the unemployment program. |
| T
1-4 | 8. The Self-Employment Contributions Act imposes a tax on the net earnings from self-employment derived by an individual from any trade or business. |
| F
1-4 | 9. Each state imposes an income tax on employees that is 2 percent of gross wages. |
| F
1-4 | 10. Only six states do not impose a state unemployment tax on employers in their state. |

- T 11. One of the provisions of coverage of the Civil Rights Act is that the employer must have 15 or more workers.
1-6
- F 12. Title VII of the Civil Rights Act protects all employees from arbitrary dismissal.
1-6
- T 13. By the use of executive orders, the federal government has banned discrimination in employment on government contracts.
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- T 14. Employers not subject to Title VII coverage may come within the scope of the Civil Rights Act by reason of a contract or subcontract involving federal funds.
1-7
- T 15. Under the Civil Rights Act of 1964, the U.S. government is classified as an exempt employer.
1-6
- T 16. An exception to the protection that the Age Discrimination in Employment Act provides for all workers over 40 involves executives who are 65 or older and who have held high policy-making positions during the two-year period prior to retirement.
1-7
- T 17. Under the Federal Personal Responsibility and Work Opportunity Reconciliation Act, every employer is required to report the name, address, and social security number of each new employee to the appropriate state agency.
1-7
- T 18. Form I-9 must be completed by each new hire.
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- F 19. Employers are now required to photocopy new employees' Form I-9 documents.
1-8
- T 20. In order for the Walsh-Healey Public Contracts Act to protect laborers for contractors who furnish materials to any agency of the United States, the contract amount must be at least \$10,000.
1-8
- F 21. Under FMLA, the time off must be used in one uninterrupted period of time.
1-9
- T 22. Under the Family and Medical Leave Act, an employer can substitute an employee's earned paid leave for any part of the 12-week family leave.
1-9
- F 23. FUTA was designed to ensure that workers who are covered by pension plans receive benefits from those plans.
1-10
- T 24. Under ERISA, vesting conveys to employees the right to share in a retirement fund in the event they are terminated before the normal retirement age.
1-10

- T 25. Under ERISA, if there is a pension plan, every employee is eligible af-
1-10 ter reaching age 21 or completing one year of service, whichever is later.
- T 26. ERISA provides for full vesting of the employer's contributions in three
1-10 years or gradually over six.
- F 27. The total cost of workers' compensation insurance is borne by the
1-11 employees.
- T 28. Workers' compensation insurance premiums for employers vary
1-11 according to the different degrees of danger in various classes of jobs and employers' accident experience rate.
- F 29. Workers' compensation benefits are paid directly to the employer.
1-11
- F 30. Only one state has passed a law to provide disability benefits to em-
1-12 ployees absent from their jobs due to illness, accident, or disease not arising out of their employment.
- F 31. The *requisition for personnel form* is sent to the Payroll Department so
1-13 that the new employee can be properly added to the payroll.
- F 32. Employment application forms are usually discarded when the appli-
1-14 cant is hired.
- T 33. Questions pertaining to religion, gender, national origin, or age are
1-14 allowed on application forms when these are bona fide occupational qualifications for a job.
- F 34. Most firms are now using a standard *reference inquiry form*, supplied
1-14 by the IRS.
- T 35. If an investigative consumer report is being checked, the job applicant
1-17 must be notified in writing by the employer that such a report is being sought.
- F 36. There are no states that allow employees to access their personnel
1-19 files.
- F 37. The *payroll register* is a separate payroll record that is kept on each
1-19 employee.
- T 38. A *payroll register* lists all employees who have earned remuneration,
1-19 the amount of remuneration, the deductions, and the net amount paid for each pay period.
- F 39. The amounts needed for the payroll entries in the journal come from
1-20 the *employee's earnings record*.
- F 40. The trend toward outsourcing of payroll operations has weakened in
1-21 recent years.

Multiple-Choice Questions

- c
1-3 1. Which of the following is *not* a provision of the Fair Labor Standards Act (FLSA)?
- a. Restricts the employment of child labor
 - b. Sets up minimum wage
 - c. Forbids discrimination in hiring
 - d. Mandates equal pay for equal work, regardless of sex
 - e. All are provisions of the FLSA.
- a
1-4 2. Which of the following is *not* part of the social security program?
- a. Federal Income Tax Law
 - b. Federal Old-Age and Survivors' Trust Fund
 - c. Medicare
 - d. Self-Employment Contributions Act
 - e. All are part of the social security program.
- b
1-4 3. Which of the following acts levies a tax on employers and employees that is credited to the Federal Old-Age and Survivors' Trust Fund and the Federal Disability Insurance Trust Fund?
- a. Federal Income Tax Act
 - b. Federal Insurance Contributions Act
 - c. Fair Labor Standards Act
 - d. Federal Unemployment Tax Act
 - e. Employee Retirement Income Security Act
- e
1-7 4. The Age Discrimination in Employment Act provides protection to virtually all workers over the age of:
- a. 18.
 - b. 65.
 - c. 21.
 - d. 55.
 - e. 40.
- b
1-8 5. Form I-9, which is completed by each employee, deals with:
- a. contributions to individual retirement accounts.
 - b. verification of employment eligibility.
 - c. eligibility for unemployment benefits.
 - d. eligibility for Medicare benefits.
 - e. none of the above.
- e
1-8 6. Which of the following acts deals with the minimum wage paid to laborers for contractors on federal government construction contracts?
- a. Walsh-Healey Public Contracts Act
 - b. Fair Labor Standards Act
 - c. McNamara-O'Hara Service Contract Act
 - d. Occupational Safety and Health Act
 - e. None of the above

- c
1-10 **7.** ERISA provides for full vesting of the employer's contribution to an employee's pension fund in three years or gradually over:
- a. ten years.
 - b. five years.
 - c. six years.
 - d. seven years.
 - e. No gradual vesting is allowed.
- c
1-14 **8.** Prehire questions pertaining to religion, gender, national origin, or age are allowed if:
- a. all employees are asked the same questions.
 - b. only foreign-born applicants are asked these questions.
 - c. these factors are bona fide occupational qualifications for the job.
 - d. they are not in written form.
 - e. the applicant is married.
- d
1-17 **9.** Which of the following forms is used to notify the Payroll Department to add a new employee to the payroll?
- a. Employee's earnings record
 - b. Change in payroll rate form
 - c. Reference inquiry form
 - d. Hiring notice
 - e. None of the above
- b
1-19 **10.** Which of the following records lists all employees who earn remuneration, the amount of remuneration, the deductions, and the net amount paid for each payroll period?
- a. Employee history record
 - b. Payroll register
 - c. Change in payroll rate form
 - d. Reference inquiry form
 - e. None of the above

