Chapter 01
Payroll Practices and System Fundamentals

True / False Questions

1. Internal payroll reports are used to inform a firm's managers and decision-makers about labor costs.

   True False

2. The Lilly Ledbetter Act of 2009 mandated equal pay for men and women who perform identical tasks.

   True False

3. The Age Discrimination in Employment Act prohibits discrimination in employment practices for workers who are older than age 50.

   True False

4. Payroll-related legislation often reflects emerging issues in societal evolution.

   True False

5. The Worker's Compensation Act of 1935 legislated the payment of worker's compensation insurance.

   True False

6. The ethical principle of due care pertains to the upholding of rights and justice of stakeholders.

   True False

7. Payroll accounting systems may involve an integrated software package that contains business planning tools.

   True False

8. The IRS uses EINs to track employers for tax purposes.

   True False

9. The payroll volume tends to be greater for small companies than for large businesses.

   True False

10. The use of outsourced payroll relieves employers of the responsibility for payroll accuracy.

    True False

Multiple Choice Questions

11. The Age Discrimination in Employment Act of 1967 prevented mandatory retirement for workers over the age of:

A. 55.
B. 50.
C. 45.
D. 40.

12. Which Act extended medical benefits for certain terminated employees?

A. ADEA
B. COBRA
C. OSHA
D. ERISA

13. Within how many days after initially commencing work must an employer report a new employee, according to PRWOR?

A. 7
B. 10
C. 20
D. 30

14. The Sarbanes-Oxley Act legislated penalties for violations of which Act?

A. HIPAA
B. ERISA
C. PRWOR
D. DOMA

15. The U.S. v. Windsor case repealed an Act and affected payroll tax withholdings for certain employees. Which Act did Windsor repeal?

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C. ATRA
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16. The purpose of payroll legislation is to:

A. Increase the complexity involved in compensating employees.
B. Protect the rights of employees by legislating workplace equity.
C. Generate increased tax revenue for governmental entities.
D. Promote governmental involvement in business activities.

17. According to FMLA, during the time that an employee is on family leave:

A. The employer must respect the employee's privacy by ceasing contact during the leave.
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D. The employer is responsible for alerting the employee to changes in processes and benefits.

18. The USERRA legislation provided the following:

A. Military service members receive mandatory priority during the hiring process.
B. Military service members receive preferential treatment for promotions and raises during the normal course of business.
C. Military members must receive the same promotions and compensation that they would have received when they return from active duty.
D. Injured military veterans must be allowed to return to work, but their compensation may be adjusted based on their disability.

19. Payroll taxes were instituted by the 16th Amendment to the United States Constitution:

A. To pay for governmental salaries.
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C. To fund infrastructure improvements of booming cities.
D. To penalize people who needed employment.

20. Employment legislation during the Great Depression included which of the following Acts:

A. FLSA, FUTA, and FICA
B. CTPA, Davis-Bacon Act, and FLSA
C. Walsh-Healey Act, FICA, and ERISA
D. FUTA, ADA, and FLSA

21. The main purpose of the Federal Insurance Contribution Act (FICA) was to:

A. Provide health insurance for all employees.
B. Mandate worker's compensation insurance for employers.
C. Provide life insurance for all employees.
D. Provide benefits for workers who were unable to work because of age, disability, or death.

22. Which Act governs the minimum wage that must be paid to workers?

A. FICA
B. FLSA
C. FUTA
D. SSA

23. The Fair Labor Standards Act contains provisions for:

A. Overtime pay, minimum wage, and working conditions.
B. Full-time workers, part-time workers, and independent contractors.
C. Minimum wage, maximum age, and overtime pay.
D. Pay periods, paid time off, and minimum age.

24. The Current Tax Payment Act changed employer remittance of taxes by:

A. Instituting the mandatory transfer of payroll tax liabilities.
B. Legislating the amounts of tax withheld from each employee.
C. Requiring employers to remit taxes during the year based on estimated liabilities.
D. Calling for employers to remit only the current portions of taxes due.

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C. Are mandated by the Fair Labor Standards Act.
D. Are governed by state laws and vary according to worker job classification.

26. The classification of workers as exempt and nonexempt pertains to the provisions of the:

A. Social Security Act.
B. Equal Pay Act.
C. Fair Labor Standards Act.
D. Federal insurance Contributions Act.

27. Which of the following is among the guidelines for the AICPA Code of Ethics?

A. Company Interest
B. Corporate Responsibility
C. Due Care
D. Interdependence

28. The payroll accountant for Candor, Inc. was found to have issued payroll checks in the name of several terminated employees. Upon investigation, the checks were all deposited to the same bank account, which was owned by the payroll accountant. Which ethical principle did the payroll accountant violate?

A. Responsibilities
B. Public Interest
C. Objectivity and Independence
D. Integrity

29. Leslie is the accountant for a major movie production. She is approached by a group of people from the press who ask her questions about the salaries of the actors and actresses involved in the film. According to the AICPA Code of Ethics, which principle most closely governs the appropriate conduct in this situation?

A. Responsibilities
B. Due Care
C. Integrity
D. Public Interest

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

A. Objectivity
B. Due Care
C. Responsibilities
D. Public Interest

31. Michael is the payroll accountant for a non-profit. In his personal life, he is also a single father of three young children. On the day that payroll is supposed to be issued, his children are sick and he is unavailable to be at work. The employee's paychecks cannot be issued without his presence. Which ethical principle most closely governs this situation?

A. Responsibilities
B. Objectivity and Independence
C. Integrity
D. Public Interest

32. Peter is the owner of a fast-food franchise. When his payroll accountant quit, he hired his wife, Karen, to take over the payroll responsibilities. Peter prefers to review the payroll records prior to disbursement and often asks Karen to add or subtract amount from employee pay. Which ethical principle most closely describes Peter and Karen's unethical actions?

A. Objectivity and Independence
B. Integrity
C. Public Interest
D. Responsibilities

33. Which most closely identifies why it is important for payroll accountants to adhere to the AICPA Code of Ethics?

A. To avoid potential underpayments of employee compensation.
B. To prevent fraud by company officers.
C. To protect the assets of the company and remit money owed to the government.
D. To maintain personal and professional standards.

34. In the event of an ethical breach by a payroll accountant, which entity is ultimately liable for any monetary damages due to stakeholders?

A. The payroll accountant
B. The company's CEO or president
C. The governmental entity associated with company oversight
D. The entity that issued the license to the accountant

35. Contemporary payroll practices reflect:

A. The increased use of manual payroll accounting systems.
B. The decrease in labor costs that reflects the effect of the economic recession.
C. The strategic use of payroll data as a company planning tool.
D. The replacement of accounting personnel with computerized systems.

36. Which of the following is not an option available to payroll accountants?

A. Payroll preparation through electronic accounting software.
B. Reduced responsibility for accuracy because of outsourcing services.
C. Increased use of paycards as a vehicle for paying employees.
D. Governmentally developed charts to streamline the payroll process.

37. What is the effect of payroll-related legislation on payroll practice?

A. Legislation explicitly dictates the activities of payroll accountants.
B. Legislation has prescribed the format and delivery of a payroll system.
C. Legislation has alleviated the need for a company to design its own payroll system.
D. Legislation highlights the need for firms to create well-designed payroll systems.

38. Which of the following represents a payroll system privacy breach by Susan, a payroll accountant?

A. Susan shares information about labor costs with company executives.
B. Susan alerts department managers about potential FLSA violations in their departments.
C. Susan discusses specific information about the company's federal contracts with friends during lunch.
D. Susan places employee payroll files in a cabinet to which only she and her supervisor have access.

39. Which of the following is not a payroll accountant's responsibility?

A. Discussions of wages and hours with the employee and his or her manager.
B. Contract negotiations with governmental entities.
C. Preparation for accounting system audits.
D. Remittance of all payroll tax deposits.

40. Which form does the Internal Revenue Service use to keep track of employers?

A. SS-4
B. ES-4
C. EIN
D. W-4

41. Joel is the payroll accountant for a company. He has been notified of an impending audit of all accounting records. What is Joel's role in the audit?

A. He is required to be absent during the audit to avoid influencing the results.
B. He must agree to serve on the audit staff for other companies.
C. He must be available to answer questions and grant access to payroll records.
D. He must prevent privacy breaches by disallowing access to payroll records.

42. Which of the following is not a privacy act related to payroll records?

A. Community Property Act of 1990.
B. Freedom of Information Act.
C. U.S. Department of Labor OCFO-1.
D. U.S. Department of Health and Human Services Privacy Act 09-40-0006.

43. Why do different methods of time collection devices (e.g., time cards, biometric devices) exist among companies?

A. They replace personnel with computers, which prevents ethical issues.
B. They maintain precise tracking of employee whereabouts.
C. They promote compensation accuracy that matches company needs.
D. They alleviate the need for internal control.

44. Which of the following is not a payroll-related issue that is specific to large companies?

A. Geographic dispersion.
B. Multiple departments.
C. Homogeneous workforce.
D. Increased task variation.

45. Many large companies have website portals in which employees may view and change payroll data. Which of the following is the most significant concern about such websites?

A. Accuracy of employee-entered data.
B. Employer oversight of stored data.
C. Employee website navigation issues.
D. Security of personnel data.

46. If a company chooses to use computer-based accounting, which of the following is required?

A. A standalone system that is dedicated to payroll processing.
B. Annual software updates.
C. Certification by a CPA prior to use for payroll processing.
D. Certification and bonding of payroll personnel.

47. Jonah is one of the payroll accountants in a company that specializes in custom work for each customer. His biggest payroll challenge is accurate allocation of labor to jobs. Which of the following represents the most accurate option to track the company's labor costs?

A. Handwritten time slips on which the employee documents the times worked on each job.
B. Verbal reporting via telephone of time worked per job.
C. Computer log-ins when employees change tasks.
D. Radio-frequency time cards to track time allocations.

48. What is the most significant challenge pertaining to payroll that small businesses face?

A. Availability of trained personnel
B. Availability of payroll resources
C. Accessibility of computer programs
D. Accessibility of payroll guidance

49. An example of an accounting software package that fosters electronic payroll processing is:

A. Sage Books.
B. Quick50.
C. QuickBooks.
D. GreatBooks.

50. Paycards represent a trend in employee compensation that alleviates the employee's need for:

A. Filing data about time worked.
B. Bank account establishment.
C. Functional literacy.
D. Workplace competence.

51. The largest challenge to companies that use manual payroll processing is:

A. The use of current tax tables.
B. Obtaining accurate employee data.
C. Maintaining accurate payroll records.
D. Filing appropriate governmental reports.

52. Why is outsourced payroll popular among accounting professionals?

A. Ease of use.
B. Data accuracy.
C. Time reduction.
D. Records retention.

53. Which law requires a company to use certified payroll?

A. Walsh-Healey Public Contracts Act
B. Copeland Anti-Kickback Act
C. Davis-Bacon Act
D. Sarbanes-Oxley Act

54. What is the difference in pay practices between salaried exempt and salaried nonexempt workers?

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

55. Jeremiah is a salaried exempt worker whose standard workday consists of eight-hour shifts. During a workweek, he exceeded eight hours of work on two separate days. What is the FLSA provision for the time that he worked past eight hours in a single day?

A. He must be compensated at overtime rates for any hours past eight in a single day.
B. He must reduce the time he works on subsequent days.
C. He must alert his manager of the extra time on the next business day.
D. He will receive no additional compensation for the extra time worked.

56. According to the Fair Labor Standards Act, nonexempt workers receive overtime for:

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

57. Ryan is an independent contractor for a firm. His employer must:

A. Dictate the amount of work he performs.
B. Control the amount and nature of his working hours.
C. Provide all tools and an appropriate workspace.
D. Control only deliverables and work content.

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

A. She must be compensated for all hours worked past 8 in a single day.
B. She will receive overtime pay when working more than 10 hours during a shift.
C. She receives overtime only when she works past 45 hours in any given week.
D. She is not eligible for overtime pay.

59. Which of the following is an example of a typical exempt salaried employee?

A. Operations Manager.
B. Accounting Clerk.
C. Executive Assistant.
D. Machine Operator.

60. Which of the following is true about independent contractors?

A. They receive more company benefits than other workers.
B. They are not subject to any provisions of payroll laws.
C. They may not work any overtime hours.
D. They must provide proof of employment insurance before commencing work.

61. The ________________ prohibited discrimination based on race, creed, color, gender, or national origin.

A. Lilly Ledbetter Fair Pay Act of 2009.
B. Civil Rights Act of 1964.
C. Equal Pay Act of 1963.
D. Fair Labor Standards Act of 1935.

62. The _________________modified the statute of limitations imposed by the Equal Pay Act of 1963.

A. Civil Rights Act of 1991.
B. Family Medical Leave Act of 1993.
C. Lilly Ledbetter Fair Pay Act of 2009.
D. Consolidated Omnibus Budget Reformation Act of 1986.

63. The _________________mandated that employers verify an employee's legal ability to work in the United States.

A. Personal Responsibility and Work Opportunity Reconciliation Act of 1996.
B. Health Insurance Portability and Accountability Act of 1996.
C. American Reinvestment and Recovery Act of 2009.
D. Immigration Reform and Control Act of 1986.

64. Prevailing local wages and wage classification strategies for government contractors were mandated by the ________________.

A. Davis-Bacon Act.
B. Walsh-Healey Public Contracts Act.
C. Fair Labor Standards Act.
D. Equal Pay Act.

65. Congress passed the __________________ and _________________ to assist displaced workers.

A. 16th Amendment; Fair Labor Standards Act.
B. Social Security Act; Medicare Act.
C. Federal Unemployment Tax Act; Social Security Insurance Act.
D. Federal Income Contributions Act; Federal Unemployment Tax Act.

66. The ethical principle of ___________ concerns what is right and just for all parties involved.

A. Due Care.
B. Integrity.
C. Public Interest.
D. Objectivity and Independence.

67. An accountant must remain current in his or her knowledge of current payroll practices, according to the ethical principle of __________________.

A. Responsibilities.
B. Public Interest.
C. Due Care.
D. Integrity.

68. Employers must request a(n) ________________________ for the Internal Revenue Service to track a firm's payroll tax obligations.

A. Social Security Number.
B. Employer Registration Number.
C. Tax Identification Number.
D. Employer Identification Number

69. Companies may use _____________ and ____________ to allow employees to have secure, rapid access to their compensation.

A. Cash; Checks.
B. Cash; Direct Deposit.
C. Direct Deposit; Paycards.
D. Paycards; Checks.

70. ___________________ is required under the Davis-Bacon Act for companies who do business with the Federal government.

A. Manual payroll.
B. Certified payroll.
C. Outsourced payroll.
D. Computerized payroll.

Chapter 01 Payroll Practices and System Fundamentals Answer Key

True / False Questions

1. Internal payroll reports are used to inform a firm's managers and decision-makers about labor costs.

TRUE

AACSB: Communication
AICPA: BB Leveraging Technology
AICPA: FN Reporting
Blooms: Understand
Difficulty: Easy
Learning Objective: 01-01 Describe the Purpose of Studying Payroll Accounting
Topic: Describe the Purpose of Studying Payroll Accounting

2. The Lilly Ledbetter Act of 2009 mandated equal pay for men and women who perform identical tasks.

FALSE

AACSB: Reflective Thinking
AICPA: BB Legal
AICPA: FN Decision Making
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3. The Age Discrimination in Employment Act prohibits discrimination in employment practices for workers who are older than age 50.

FALSE

AACSB: Diversity
AICPA: BB Legal
AICPA: FN Decision Making
Blooms: Remember
Difficulty: Easy
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4. Payroll-related legislation often reflects emerging issues in societal evolution.

TRUE

AACSB: Reflective Thinking
AICPA: BB Critical Thinking
AICPA: FN Research
Blooms: Analyze
Difficulty: Medium
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5. The Worker's Compensation Act of 1935 legislated the payment of worker's compensation insurance.

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Blooms: Understand
Difficulty: Easy
Learning Objective: 01-02 Discuss the legal framework for payroll accounting
Topic: Discuss the legal framework for payroll accounting

6. The ethical principle of due care pertains to the upholding of rights and justice of stakeholders.

FALSE

AACSB: Ethics
AICPA: BB Critical Thinking
AICPA: FN Decision Making
Blooms: Apply
Difficulty: Medium
Learning Objective: 01-03 Recognize the Ethical Guidelines for Payroll Accounting
Topic: Recognize the Ethical Guidelines for Payroll Accounting

7. Payroll accounting systems may involve an integrated software package that contains business-planning tools.

TRUE

AACSB: Technology
AICPA: BB Leveraging Technology
AICPA: FN Leveraging Technology
Blooms: Understand
Difficulty: Easy
Learning Objective: 01-04 Identify contemporary payroll practices
Topic: Identify contemporary payroll practices

8. The IRS uses EINs to track employers for tax purposes.

TRUE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Reporting
Blooms: Remember
Difficulty: Easy
Learning Objective: 01-04 Identify contemporary payroll practices
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9. The payroll volume tends to be greater for small companies than for large businesses.

FALSE

AACSB: Reflective Thinking
AICPA: BB Resource Management
AICPA: FN Measurement
Blooms: Understand
Difficulty: Easy
Learning Objective: 01-05 Compare payroll processing options for different businesses
Topic: Compare payroll processing options for different businesses

10. The use of outsourced payroll relieves employers of the responsibility for payroll accuracy.

FALSE

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AICPA: BB Resource Management
AICPA: FN Decision Making
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Multiple Choice Questions

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AICPA: BB Legal
AICPA: FN Decision Making
Blooms: Evaluate
Difficulty: Hard
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C. Provide life insurance for all employees.
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Blooms: Apply
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C. Are mandated by the Fair Labor Standards Act.
D. Are governed by state laws and vary according to worker job classification.

AACSB: Reflective Thinking
AICPA: BB Industry

AICPA: FN Risk Analysis
Blooms: Analyze
Difficulty: Medium
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B. Corporate Responsibility
C. Due Care
D. Interdependence

AACSB: Ethics
AICPA: BB Industry
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C. Objectivity and Independence
D. Integrity

AACSB: Ethics
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Blooms: Evaluate
Difficulty: Hard
Learning Objective: 01-03 Recognize the Ethical Guidelines for Payroll Accounting
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Blooms: Evaluate
Difficulty: Hard
Learning Objective: 01-03 Recognize the Ethical Guidelines for Payroll Accounting
Topic: Recognize the Ethical Guidelines for Payroll Accounting

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

A. Objectivity
B. Due Care
C. Responsibilities
D. Public Interest

AACSB: Ethics
AICPA: BB Critical Thinking
AICPA: FN Decision Making
Blooms: Evaluate
Difficulty: Hard
Learning Objective: 01-03 Recognize the Ethical Guidelines for Payroll Accounting
Topic: Recognize the Ethical Guidelines for Payroll Accounting

31. Michael is the payroll accountant for a non-profit. In his personal life, he is also a single father of three young children. On the day that payroll is supposed to be issued, his children are sick and he is unavailable to be at work. The employee’s paychecks cannot be issued without his presence. Which ethical principle most closely governs this situation?

A. Responsibilities
B. Objectivity and Independence
C. Integrity
D. Public Interest

AACSB: Ethics
AICPA: BB Critical Thinking
AICPA: FN Decision Making
Blooms: Evaluate
Difficulty: Hard
Learning Objective: 01-03 Recognize the Ethical Guidelines for Payroll Accounting
Topic: Recognize the Ethical Guidelines for Payroll Accounting

32. Peter is the owner of a fast-food franchise. When his payroll accountant quit, he hired his wife, Karen, to take over the payroll responsibilities. Peter prefers to review the payroll records prior to disbursement and often asks Karen to add or subtract amount from employee pay. Which ethical principle most closely describes Peter and Karen's unethical actions?

A. Objectivity and Independence
B. Integrity
C. Public Interest
D. Responsibilities

AACSB: Ethics
AICPA: BB Critical Thinking
AICPA: FN Decision Making
Blooms: Evaluate
Difficulty: Hard
Learning Objective: 01-03 Recognize the Ethical Guidelines for Payroll Accounting
Topic: Recognize the Ethical Guidelines for Payroll Accounting

33. Which most closely identifies why it is important for payroll accountants to adhere to the AICPA Code of Ethics?

A. To avoid potential underpayments of employee compensation.
B. To prevent fraud by company officers.
C. To protect the assets of the company and remit money owed to the government.
D. To maintain personal and professional standards.

AACSB: Ethics
AICPA: BB Critical Thinking
AICPA: FN Decision Making
Blooms: Analyze
Difficulty: Medium
Learning Objective: 01-03 Recognize the Ethical Guidelines for Payroll Accounting
Topic: Recognize the Ethical Guidelines for Payroll Accounting

34. In the event of an ethical breach by a payroll accountant, which entity is ultimately liable for any monetary damages due to stakeholders?

A. The payroll accountant
B. The company's CEO or president
C. The governmental entity associated with company oversight
D. The entity that issued the license to the accountant

AACSB: Ethics
AICPA: BB Legal
AICPA: FN Risk Analysis
Blooms: Evaluate
Difficulty: Hard
Learning Objective: 01-03 Recognize the Ethical Guidelines for Payroll Accounting
Topic: Recognize the Ethical Guidelines for Payroll Accounting

35. Contemporary payroll practices reflect:

A. The increased use of manual payroll accounting systems.
B. The decrease in labor costs that reflects the effect of the economic recession.
C. The strategic use of payroll data as a company planning tool.
D. The replacement of accounting personnel with computerized systems.

AACSB: Reflective Thinking
AICPA: BB Critical Thinking
AICPA: FN Research

Blooms: Analyze
Difficulty: Medium
Learning Objective: 01-04 Identify contemporary payroll practices
Topic: Identify contemporary payroll practices

36. Which of the following is not an option available to payroll accountants?

A. Payroll preparation through electronic accounting software.
B. Reduced responsibility for accuracy because of outsourcing services.
C. Increased use of paycards as a vehicle for paying employees.
D. Governmentally developed charts to streamline the payroll process.

AACSB: Reflective Thinking
AICPA: BB Industry
AICPA: FN Decision Making
Blooms: Analyze
Difficulty: Medium
Learning Objective: 01-04 Identify contemporary payroll practices
Topic: Identify contemporary payroll practices

37. What is the effect of payroll-related legislation on payroll practice?

A. Legislation explicitly dictates the activities of payroll accountants.
B. Legislation has prescribed the format and delivery of a payroll system.
C. Legislation has alleviated the need for a company to design its own payroll system.
D. Legislation highlights the need for firms to create well-designed payroll systems.

AACSB: Analytic
AICPA: BB Critical Thinking
AICPA: FN Research
Blooms: Analyze
Difficulty: Medium
Learning Objective: 01-04 Identify contemporary payroll practices
Topic: Identify contemporary payroll practices

38. Which of the following represents a payroll system privacy breach by Susan, a payroll accountant?

A. Susan shares information about labor costs with company executives.
B. Susan alerts department managers about potential FLSA violations in their departments.
C. Susan discusses specific information about the company's federal contracts with friends during lunch.
D. Susan places employee payroll files in a cabinet to which only she and her supervisor have access.

AACSB: Reflective Thinking
AICPA: BB Critical Thinking
AICPA: FN Decision Making
Blooms: Analyze
Difficulty: Medium
Learning Objective: 01-04 Identify contemporary payroll practices
Topic: Identify contemporary payroll practices

39. Which of the following is not a payroll accountant's responsibility?

A. Discussions of wages and hours with the employee and his or her manager.
B. Contract negotiations with governmental entities.
C. Preparation for accounting system audits.
D. Remittance of all payroll tax deposits.

AACSB: Reflective Thinking
AICPA: BB Industry
AICPA: FN Decision Making
Blooms: Analyze
Difficulty: Medium
Learning Objective: 01-04 Identify contemporary payroll practices
Topic: Identify contemporary payroll practices

40. Which form does the Internal Revenue Service use to keep track of employers?

A. SS-4
B. ES-4
C. EIN
D. W-4

AACSB: Communication
AICPA: BB Industry
AICPA: FN Reporting
Blooms: Remember
Difficulty: Easy
Learning Objective: 01-04 Identify contemporary payroll practices
Topic: Identify contemporary payroll practices

41. Joel is the payroll accountant for a company. He has been notified of an impending audit of all accounting records. What is Joel's role in the audit?

A. He is required to be absent during the audit to avoid influencing the results.
B. He must agree to serve on the audit staff for other companies.
C. He must be available to answer questions and grant access to payroll records.
D. He must prevent privacy breaches by disallowing access to payroll records.

AACSB: Reflective Thinking
AICPA: BB Resource Management
AICPA: FN Reporting
Blooms: Apply
Difficulty: Medium
Learning Objective: 01-04 Identify contemporary payroll practices
Topic: Identify contemporary payroll practices

42. Which of the following is not a privacy act related to payroll records?

A. Community Property Act of 1990.
B. Freedom of Information Act.
C. U.S. Department of Labor OCFO-1.
D. U.S. Department of Health and Human Services Privacy Act 09-40-0006.

AACSB: Reflective Thinking
AICPA: BB Legal
AICPA: FN Research
Blooms: Remember
Difficulty: Easy
Learning Objective: 01-04 Identify contemporary payroll practices
Topic: Identify contemporary payroll practices

43. Why do different methods of time collection devices (e.g., time cards, biometric devices) exist among companies?

A. They replace personnel with computers, which prevents ethical issues.
B. They maintain precise tracking of employee whereabouts.
C. They promote compensation accuracy that matches company needs.
D. They alleviate the need for internal control.

AACSB: Reflective Thinking
AICPA: BB Industry
AICPA: FN Reporting
Blooms: Understand
Difficulty: Easy
Learning Objective: 01-05 Compare payroll processing options for different businesses
Topic: Compare payroll processing options for different businesses

44. Which of the following is not a payroll-related issue that is specific to large companies?

A. Geographic dispersion.
B. Multiple departments.
C. Homogeneous workforce.
D. Increased task variation.

AACSB: Reflective Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Analyze
Difficulty: Medium
Learning Objective: 01-05 Compare payroll processing options for different businesses
Topic: Compare payroll processing options for different businesses

45. Many large companies have website portals in which employees may view and change payroll data. Which of the following is the most significant concern about such websites?

A. Accuracy of employee-entered data.
B. Employer oversight of stored data.
C. Employee website navigation issues.
D. Security of personnel data.

AACSB: Reflective Thinking
AICPA: BB Leveraging Technology
AICPA: FN Leveraging Technology
Blooms: Evaluate
Difficulty: Hard
Learning Objective: 01-05 Compare payroll processing options for different businesses
Topic: Compare payroll processing options for different businesses

46. If a company chooses to use computer-based accounting, which of the following is required?

A. A standalone system that is dedicated to payroll processing.
B. Annual software updates.
C. Certification by a CPA prior to use for payroll processing.
D. Certification and bonding of payroll personnel.

AACSB: Communication
AICPA: BB Leveraging Technology
AICPA: FN Leveraging Technology
Blooms: Understand
Difficulty: Easy

Learning Objective: 01-05 Compare payroll processing options for different businesses
Topic: Compare payroll processing options for different businesses

47. Jonah is one of the payroll accountants in a company that specializes in custom work for each customer. His biggest payroll challenge is accurate allocation of labor to jobs. Which of the following represents the most accurate option to track the company's labor costs?

A. Handwritten time slips on which the employee documents the times worked on each job.
B. Verbal reporting via telephone of time worked per job.
C. Computer log-ins when employees change tasks.
D. Radio-frequency time cards to track time allocations.

AACSB: Technology
AICPA: BB Leveraging Technology
AICPA: FN Leveraging Technology
Blooms: Apply
Difficulty: Medium
Learning Objective: 01-05 Compare payroll processing options for different businesses
Topic: Compare payroll processing options for different businesses

48. What is the most significant challenge pertaining to payroll that small businesses face?

A. Availability of trained personnel
B. Availability of payroll resources
C. Accessibility of computer programs
D. Accessibility of payroll guidance

AACSB: Reflective Thinking
AICPA: BB Industry
AICPA: FN Reporting
Blooms: Understand
Difficulty: Easy
Learning Objective: 01-05 Compare payroll processing options for different businesses
Topic: Compare payroll processing options for different businesses

49. An example of an accounting software package that fosters electronic payroll processing is:

A. Sage Books.
B. Quick50.
C. QuickBooks.
D. GreatBooks.

AACSB: Technology
AICPA: BB Leveraging Technology
AICPA: FN Leveraging Technology
Blooms: Understand
Difficulty: Easy
Learning Objective: 01-05 Compare payroll processing options for different businesses
Topic: Compare payroll processing options for different businesses

50. Paycards represent a trend in employee compensation that alleviates the employee's need for:

A. Filing data about time worked.
B. Bank account establishment.
C. Functional literacy.
D. Workplace competence.

AACSB: Reflective Thinking
AICPA: BB Industry
AICPA: FN Decision Making

Blooms: Analyze
Difficulty: Medium
Learning Objective: 01-05 Compare payroll processing options for different businesses
Topic: Compare payroll processing options for different businesses

51. The largest challenge to companies that use manual payroll processing is:

A. The use of current tax tables.
B. Obtaining accurate employee data.
C. Maintaining accurate payroll records.
D. Filing appropriate governmental reports.

AACSB: Reflective Thinking
AICPA: BB Industry
AICPA: FN Reporting
Blooms: Understand
Difficulty: Easy
Learning Objective: 01-05 Compare payroll processing options for different businesses
Topic: Compare payroll processing options for different businesses

52. Why is outsourced payroll popular among accounting professionals?

A. Ease of use.
B. Data accuracy.
C. Time reduction.
D. Records retention.

AACSB: Reflective Thinking
AICPA: BB Resource Management
AICPA: FN Decision Making
Blooms: Analyze
Difficulty: Medium
Learning Objective: 01-05 Compare payroll processing options for different businesses
Topic: Compare payroll processing options for different businesses

53. Which law requires a company to use certified payroll?

A. Walsh-Healey Public Contracts Act
B. Copeland Anti-Kickback Act
C. Davis-Bacon Act
D. Sarbanes-Oxley Act

AACSB: Communication
AICPA: BB Legal
AICPA: FN Reporting
Blooms: Understand
Difficulty: Easy
Learning Objective: 01-05 Compare payroll processing options for different businesses
Topic: Compare payroll processing options for different businesses

54. What is the difference in pay practices between salaried exempt and salaried nonexempt workers?

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

AACSB: Reflective Thinking
AICPA: BB Industry
AICPA: FN Decision Making

Blooms: Analyze
Difficulty: Medium
Learning Objective: 01-06 Differentiate between exempt and nonexempt workers
Topic: Differentiate between exempt and nonexempt workers

55. Jeremiah is a salaried exempt worker whose standard workday consists of eight-hour shifts. During a workweek, he exceeded eight hours of work on two separate days. What is the FLSA provision for the time that he worked past eight hours in a single day?

A. He must be compensated at overtime rates for any hours past eight in a single day.
B. He must reduce the time he works on subsequent days.
C. He must alert his manager of the extra time on the next business day.
D. He will receive no additional compensation for the extra time worked.

AACSB: Reflective Thinking
AICPA: BB Critical Thinking
AICPA: FN Research
Blooms: Evaluate
Difficulty: Hard
Learning Objective: 01-06 Differentiate between exempt and nonexempt workers
Topic: Differentiate between exempt and nonexempt workers

56. According to the Fair Labor Standards Act, nonexempt workers receive overtime for:

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

AACSB: Reflective Thinking
AICPA: BB Legal
AICPA: FN Reporting
Blooms: Understand
Difficulty: Easy
Learning Objective: 01-06 Differentiate between exempt and nonexempt workers
Topic: Differentiate between exempt and nonexempt workers

57. Ryan is an independent contractor for a firm. His employer must:

A. Dictate the amount of work he performs.
B. Control the amount and nature of his working hours.
C. Provide all tools and an appropriate workspace.
D. Control only deliverables and work content.

AACSB: Reflective Thinking
AICPA: BB Resource Management
AICPA: FN Decision Making
Blooms: Analyze
Difficulty: Medium
Learning Objective: 01-06 Differentiate between exempt and nonexempt workers
Topic: Differentiate between exempt and nonexempt workers

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

A. She must be compensated for all hours worked past 8 in a single day.
B. She will receive overtime pay when working more than 10 hours during a shift.
C. She receives overtime only when she works past 45 hours in any given week.
D. She is not eligible for overtime pay.

AACSB: Analytic
AICPA: BB Legal
AICPA: FN Reporting
Blooms: Analyze
Difficulty: Medium
Learning Objective: 01-06 Differentiate between exempt and nonexempt workers
Topic: Differentiate between exempt and nonexempt workers

59. Which of the following is an example of a typical exempt salaried employee?

A. Operations Manager.
B. Accounting Clerk.
C. Executive Assistant.
D. Machine Operator.

AACSB: Reflective Thinking
AICPA: BB Critical Thinking
AICPA: FN Decision Making
Blooms: Understand
Difficulty: Medium
Learning Objective: 01-06 Differentiate between exempt and nonexempt workers
Topic: Differentiate between exempt and nonexempt workers

60. Which of the following is true about independent contractors?

A. They receive more company benefits than other workers.
B. They are not subject to any provisions of payroll laws.
C. They may not work any overtime hours.
D. They must provide proof of employment insurance before commencing work.

AACSB: Analytic
AICPA: BB Industry
AICPA: FN Reporting
Blooms: Analyze
Difficulty: Medium
Learning Objective: 01-06 Differentiate between exempt and nonexempt workers
Topic: Differentiate between exempt and nonexempt workers

61. The _______________ prohibited discrimination based on race, creed, color, gender, or national origin.

A. Lilly Ledbetter Fair Pay Act of 2009.
B. Civil Rights Act of 1964.
C. Equal Pay Act of 1963.
D. Fair Labor Standards Act of 1935.

AACSB: Analytic
AICPA: BB Legal
AICPA: FN Research
Blooms: Understand
Difficulty: Easy

Learning Objective: 01-01 Describe the Purpose of Studying Payroll Accounting
Topic: Describe the Purpose of Studying Payroll Accounting

62. The ________________ modified the statute of limitations imposed by the Equal Pay Act of 1963.

A. Civil Rights Act of 1991.
B. Family Medical Leave Act of 1993.
C. Lilly Ledbetter Fair Pay Act of 2009.
D. Consolidated Omnibus Budget Reformation Act of 1986.

AACSB: Analytic
AICPA: BB Legal
AICPA: FN Research
Blooms: Analysis
Difficulty: Easy
Learning Objective: 01-01 Describe the Purpose of Studying Payroll Accounting
Topic: Describe the Purpose of Studying Payroll Accounting

63. The ________________ mandated that employers verify an employee's legal ability to work in the United States.

A. Personal Responsibility and Work Opportunity Reconciliation Act of 1996.
B. Health Insurance Portability and Accountability Act of 1996.
C. American Reinvestment and Recovery Act of 2009.
D. Immigration Reform and Control Act of 1986.

AACSB: Analytic
AICPA: BB Legal
AICPA: FN Reporting
Blooms: Understand
Difficulty: Easy
Learning Objective: 01-01 Describe the Purpose of Studying Payroll Accounting
Topic: Describe the Purpose of Studying Payroll Accounting

64. Prevailing local wages and wage classification strategies for government contractors were mandated by the _______________.

A. Davis-Bacon Act.
B. Walsh-Healey Public Contracts Act.
C. Fair Labor Standards Act.
D. Equal Pay Act.

AACSB: Analytic
AICPA: BB Legal
AICPA: FN Research
Blooms: Application
Difficulty: Medium
Learning Objective: 01-02 Discuss the legal framework for payroll accounting
Topic: Discuss the legal framework for payroll accounting

65. Congress passed the ________________ and ________________ to assist displaced workers.

A. 16th Amendment; Fair Labor Standards Act.
B. Social Security Act; Medicare Act.
C. Federal Unemployment Tax Act; Social Security Insurance Act.
D. Federal Income Contributions Act; Federal Unemployment Tax Act.

AACSB: Reflective Thinking
AICPA: BB Legal
AICPA: FN Research
Blooms: Understand
Difficulty: Medium
Learning Objective: 01-02 Discuss the legal framework for payroll accounting
Topic: Discuss the legal framework for payroll accounting

66. The ethical principle of ___________ concerns what is right and just for all parties involved.

A. Due Care.
B. Integrity.
C. Public Interest.
D. Objectivity and Independence.

AACSB: Ethics
AICPA: BB Industry
AICPA: FN Decision Making
Blooms: Application
Difficulty: Medium
Learning Objective: 01-03 Recognize the Ethical Guidelines for Payroll Accounting
Topic: Recognize the Ethical Guidelines for Payroll Accounting

67. An accountant must remain current in his or her knowledge of current payroll practices, according to the ethical principle of ________________.

A. Responsibilities.
B. Public Interest.
C. Due Care.
D. Integrity.

AACSB: Ethics
AICPA: BB Industry
AICPA: FN Decision Making
Blooms: Application
Difficulty: Medium
Learning Objective: 01-03 Recognize the Ethical Guidelines for Payroll Accounting
Topic: Recognize the Ethical Guidelines for Payroll Accounting

68. Employers must request a(n) ______________________ for the Internal Revenue Service to track a firm's payroll tax obligations.

A. Social Security Number.
B. Employer Registration Number.
C. Tax Identification Number.
D. Employer Identification Number

AACSB: Reflective Thinking
AICPA: BB Legal
AICPA: FN Reporting
Blooms: Understand

Difficulty: Easy
Learning Objective: 01-04 Identify contemporary payroll practices
Topic: Identify contemporary payroll practices

69. Companies may use _____________ and ____________ to allow employees to have secure, rapid access to their compensation.

A. Cash; Checks.
B. Cash; Direct Deposit.
C. Direct Deposit; Paycards.
D. Paycards; Checks.

AACSB: Technology
AICPA: BB Industry
AICPA: FN Leveraging Technology
Blooms: Analyze
Difficulty: Medium
Learning Objective: 01-05 Compare payroll processing options for different businesses
Topic: Compare payroll processing options for different businesses

70. ___________________ is required under the Davis-Bacon Act for companies who do business with the Federal government.

A. Manual payroll.
B. Certified payroll.
C. Outsourced payroll.
D. Computerized payroll.

AACSB: Reflective Thinking
AICPA: BB Legal
AICPA: FN Reporting
Blooms: Analyze
Difficulty: Medium
Learning Objective: 01-05 Compare payroll processing options for different businesses
Topic: Compare payroll processing options for different businesses