

**2013 FPC/ CPP EXAM PREPARATION TRAINING**  
**TEST 2:** (Covers Material from Chapters 4-10 in The Payroll Source)

1. An employee has two garnishments—one for child support and one for a creditor—and net pay is not sufficient to cover both. Which of the following is correct, assuming it is February 15, 2013?
  - a. Creditor receives disposable pay up to 25%
  - b. Child support receives disposable pay up to 50%, and any remainder not to exceed 25% of disposable pay goes to the creditor
  - c. Child support receives disposable pay up to 50%, and \$175.50 goes toward the creditor garnishment
  - d. No wages are subject to attachment
  
2. If a deposit obligation is \$6,000, how much must be deposited on the due date to be considered timely?
  - a. \$6,000
  - b. \$5,880
  - c. \$100
  - d. \$5,520
  
3. Carlos is hired as a police officer by the county on August 8, 2013. He is not covered by a retirement plan offered by the county. Which of the following FICA withholding tax rates apply, assuming his wages will not exceed \$175,000 for the year?
  - a. Medicare at 1.45%
  - b. Social Security at 6.20%
  - c. Combined FICA at 7.65%
  - d. Exempt from FICA
  
4. Acme, Inc. receives a child support withholding order for employee Joan on January 14, 2011. Joan separates from employment on March 31, 2011. The last child support withholding deduction was made on March 25, 2011. Under the FLSA, how long must Acme retain the withholding order and records of wage deductions under the order?
  - a. March 25, 2013
  - b. March 31, 2014
  - c. March 25, 2015
  - d. March 31, 2013
  
5. If an employer makes a fourth-quarter state unemployment contribution of \$2,000 after the due date of Form 940, the maximum amount of contribution that may be applied toward the tentative credit is:
  - a. \$2,000
  - b. \$1,500
  - c. \$200
  - d. \$1,800

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6. An IAT is what kind of transaction?
- a. Internal
  - b. International
  - c. Interest
  - d. Income
7. Under federal law, the maximum amount that may be attached for a defaulted student loan, assuming there are no other wage attachments having priority, is:
- a. 25%
  - b. 15%
  - c. 50%
  - d. 28%
8. If an employer timely paid all deposits and for the full amount, when is the Form 941 due for wages paid in February?
- a. March 31
  - b. April 10
  - c. May 10
  - d. April 30
9. John is hired as a sanitation engineer on July 5, 2013, and begins work on July 6, 2013. The employees of this sanitation department are covered by an approved retirement/pension agreement as of their first day of employment. Which of the following applies to John for 2013, assuming his wages will not exceed \$75,000 for the year?
- a. Exempt from FICA
  - b. Combined FICA at 7.65%
  - c. Medicare at 1.45%
  - d. Social Security at 6.20%
10. The following would be considered a valid document in proving only the identity of an employee over age 18:
- a. Driver's license containing photograph or description of the individual
  - b. U.S. Citizen ID Card
  - c. Birth certificate
  - d. Social Security card
11. Acme Inc. is a semiweekly depositor. For 2013, which form would Acme use to report its payroll tax liabilities to the IRS?
- a. Form 945
  - b. Form 944
  - c. Schedule B
  - d. Schedule A

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**12.** ABC Company's federal tax withholding liability is \$3,239.63, state tax withholding is \$563.10, employee's Social Security tax withheld is \$2,108.16, Medicare tax withheld at 1.45% is \$1,818, and additional Medicare tax withheld is \$215. Its backup withholding liability is \$450.00. What is ABC Company's total Form 941 deposit?

- a. \$7,380.79
- b. \$12,535.05
- c. \$11,306.95
- d. \$11,521.95

**13.** Employee Juan is concurrently employed by Shavings Inc. and Woodmaster, Inc., the common paymaster for Shavings, Inc. In tax year 2013, Juan was paid Social Security wages of \$84,000 by Shavings, Inc. and Social Security wages of \$30,000 by Woodmaster Inc. as of December 31, 2013. What Social Security wage amount does Woodmaster, Inc. report on Juan's Form W-2?

- a. \$84,000 for Shavings, Inc., and \$30,000 for Woodmaster, Inc.
- b. \$113,700 for Shavings, Inc.
- c. \$113,700 for Woodmaster, Inc.
- d. \$84,000 for Shavings, Inc. and \$29,700 for Woodmaster, Inc.

**14.** Given the same information that is in Question 13, what is the answer if Woodmaster Inc. is a reporting agent instead of a common paymaster?

- a. \$84,000 for Shavings Inc. and \$30,000 for Woodmaster Inc.
- b. \$113,700 for Shavings, Inc.
- c. \$113,700 for Woodmaster, Inc.
- d. \$84,000 for Shavings, Inc. and \$29,700 for Woodmaster, Inc.

**15.** Assuming that an employee earned \$150,000 in FICA taxable earnings in 2013, how much would be reported on the Form W-2 in boxes 3 and 5?

- a. Box 3 = \$150,000, Box 5 = \$150,000
- b. Box 3 = \$113,700, Box 5 = \$113,700
- c. Box 3 = \$150,000, Box 5 = \$113,700
- d. Box 3 = \$113,700, Box 5 = \$150,000

**16.** An employee worked 43 hours in one workweek at a rate of \$8 per hour. The employer pays 1.5 times the regular rate of pay for all hours worked in excess of 40 per workweek. Which of the following amounts would generally be excluded from payroll earnings when computing the workers' compensation insurance premium?

- a. \$48
- b. \$36
- c. \$24
- d. \$12

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17. A *nonexempt* public-sector employee works 44 hours in the workweek. Accrued compensatory time off must be recorded as:

- a. 4 hours
- b. 6 hours
- c. 0 hours
- d. 44 hours

18. Sew and Go Corporation pays employees of five different unrelated companies, each with different EINs. There is no concurrent employment. With IRS approval, Sew and Go may:

- a. Combine wage limits for all companies when determining FICA and FUTA taxes
- b. Administer establishment reporting as though one corporation
- c. Use one EIN when filing Forms 941 and W-2 as a reporting agent
- d. Qualify as a common paymaster

19. The proper way to report nontaxable third-party sick pay for \$1,150 in box 12 is:

- a. J \$1150.00
- b. J 1,150.00
- c. J 1150
- d. J 1150.00

20. For calendar year 2013, the proper FUTA rate for making deposits for the first three quarters of the year is:

- a. 5.4%
- b. 6.2%
- c. 0.6%
- d. 7.65%

21. Bob, who retired in 2012 at age 65, works part time at a fast-food restaurant to supplement his Social Security benefits. He is paid weekly, claims single and one personal allowance on his Form W-4, and earned \$115.00 in the weekly pay period. Calculate his net pay using the federal percentage method of withholding, assuming it is January 2013.

- a. \$115.00
- b. \$103.87
- c. \$108.41
- d. \$106.20

22. Which of the following must be included on Form W-2?

- a. Group-term life insurance over \$50,000
- b. De minimis fringe benefits
- c. Uniform allowances
- d. Miscellaneous deductions

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**23.** Employee Bobby received an erroneous commission check in 2012 of \$500. His federal and FICA taxable earnings, including the erroneous payment for 2012 were \$35,500. Bobby repays the \$500 overpayment in 2013. Under the claim-of-right rule, what are the adjusted taxable wage amounts to be reported on the 2012 Form W-2c?

- a. Federal taxable wages = \$35,500, Social Security/Medicare wages = \$35,500
- b. Federal taxable wages = \$35,000, Social Security/Medicare wages = \$35,500
- c. Federal taxable wages = \$35,500, Social Security/Medicare wages = \$35,000
- d. Federal taxable wages = \$35,000, Social Security/Medicare wages = \$35,000

**24.** Harpo Inc. is a semiweekly depositor. It pays wages on Friday that result in a deposit obligation of \$99,000. It receives a statement from the third-party payer of sick pay on the same day indicating that the employer owes Social Security and Medicare tax in the amount of \$2,000. When is the deposit for taxes owed on the sick pay due?

- a. The following Monday
- b. The following Wednesday
- c. The Friday that the statement is received from the third party
- d. The following Tuesday

**25.** Assuming the employer's FUTA tax liability is \$497 at the end of December, and it will pay its FUTA tax with the Form 940, when is the Form 940 due?

- a. February 10
- b. January 31
- c. December 31
- d. February 28

**26.** An employee was reimbursed a total of \$56.50 for the use of his personal car for 100 business miles. Assuming that the reimbursement is \$3 above the government-specified rate, how would this reimbursement be reported on the Form W-2, assuming it is January 2013?

- a. Box 1 = \$56.50, Box 3/5 = \$56.50, Box 12 = \$3
- b. Box 1 = \$3, Box 3/5 = \$3, Box 12 = \$56.50
- c. Box 1 = \$3, Box 3/5 = \$3, Box 12 = \$3
- d. Box 1 = \$56.50, Box 3/5 = \$56.50, Box 12 = \$56.50

**27.** Which of the following business entities would most likely be allowed to use the common paymaster option?

- a. Limited liability company
- b. Partnership
- c. Corporation
- d. All of the above

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- 28.** For tax year 2013, the following would not be reported in box 12 of Form W-2:
- a. Employee contributions to a §401(k) plan
  - b. Nontaxable third-party sick pay
  - c. Taxable group-term life over \$50,000
  - d. Personal use of a company-owned vehicle
- 29.** The period that tax documents are necessary for Internal Revenue Service assessment purposes is:
- a. 7 years
  - b. 4 years
  - c. 3 years
  - d. 15 years
- 30.** Warren's payroll deductions on July 13, 2013, are \$50 for medical insurance, \$125 for federal taxes, 10% of gross wages for §401(k), and \$25 for credit union shares. A federal tax levy of \$4,000 is received on July 31, 2013. Warren's payroll deductions do not change between July 13, 2013 through July 31, 2013. Assume that the amount exempt from federal tax levy according to Publication 1494 for the period is \$192.31, and the employee's gross wages for the week ending July 31, 2013 are \$500. How much should the employer remit to the IRS for the July 31 pay period?
- a. \$307.69
  - b. \$ 67.31
  - c. \$192.31
  - d. \$ 57.69
- 31.** New prenotifications are not suggested under which of the following circumstances?
- a. Change in name
  - b. Change in account number
  - c. Change in bank transit routing number
  - d. Change of job responsibility
- 32.** The form used to certify that an employee's wages are eligible for the WOTC is:
- a. 4782
  - b. 3300
  - c. 8850
  - d. W-11
- 33.** Mary, the secretary for the mayor's office, volunteers to type immunization records for the health department on her day off. She works 40 hours at her regular job and 6 additional hours in that workweek for the health department. If she earns \$8 per hour, her earnings for the week would be:
- a. \$320
  - b. \$368
  - c. \$392
  - d. \$344

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- 34.** An employee's Form W-4 must be retained:
- a. Until a new Form W-4 has been completed
  - b. Until the end of the calendar year
  - c. For a period of 4 years from the employee's termination
  - d. For a period of 2 years from the employee's termination
- 35.** On July 24, 2013, the amount of pay exempt from creditor garnishment under the Federal Wage Garnishment law is:
- a. \$154.50
  - b. \$175.50
  - c. \$217.50
  - d. \$187.50
- 36.** If the employer received a federal tax levy on July 2, 2013, and the employee claims a standard deduction of single with one personal exemption, how much weekly take home pay would be exempt from levy?
- a. \$406.25
  - b. \$217.50
  - c. \$182.69
  - d. \$192.31
- 37.** Ben received a \$20,000 bonus on February 28, 2013. Federal income tax was withheld at the supplemental rate of withholding. Ben claims married and three personal allowances on his Form W-4. The bonus increased his year-to-date wages to \$118,300. What is the net pay of the bonus payment?
- a. \$13,755.20
  - b. \$13,470.00
  - c. \$14,063.00
  - d. \$15,000.00
- 38.** A Form I-9 is required for an employee who returns to work from a temporary lay off:
- a. Each time an employee returns to work
  - b. If more than three years have passed since the last Form I-9 was completed
  - c. If more than six months have passed since the last Form I-9 was completed
  - d. If the rehire is a lawful immigrant

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- 39.** Which of the following describes the proper tax treatment of sick payments received by an employee who is separated from employment because of retirement disability (assuming the plan makes payments exclusively for retirement disability)?
- a.** Social Security, Medicare, and FUTA are mandatory; federal income tax withholding not required
  - b.** Social Security, Medicare, FUTA, and federal income tax withholding are mandatory
  - c.** Social Security, Medicare, and FUTA are not required; federal income tax withholding is mandatory
  - d.** Social Security, Medicare, FUTA, and federal income tax withholding are not required
- 40.** One of the following statements is true. Select the true statement.
- a.** Fair Labor Standards Act (FLSA) regulations require that original time cards be retained for 4 years.
  - b.** FLSA regulations require that payroll registers be retained for 2 years.
  - c.** IRS regulations require that tax returns be retained for 3 years.
  - d.** IRS regulations require that tax returns be retained for 4 years
- 41.** On June 14, 2013, an employee received a distribution from a nonqualified deferred compensation plan of \$750,000. Prior to June 14, 2013, the employee was paid regular wages of \$113,600 and bonuses totaling \$300,000. How much federal income tax should be withheld from this NQDC distribution, assuming the employer uses the supplemental withholding rate when to do so is discretionary?
- a.** \$80,000
  - b.** \$192,500
  - c.** \$194,800
  - d.** \$75,000
- 42.** Forget-Me-Not, Inc. has just released its 2011 Forms W-2. Under the statutory record-keeping requirements, how long must copies of these forms be retained?
- a.** April 15, 2016
  - b.** April 15, 2017
  - c.** April 15, 2015
  - d.** April 15, 2014
- 43.** An *exempt* public-sector employee works 44 hours in the workweek. Accrued compensatory time off can be recorded as:
- a.** 4 hours
  - b.** 6 hours
  - c.** 0 hours
  - d.** 3 hours

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**44.** Third-party sick pay is reported by the third-party payer (assume the employer pays its share of FICA and federal unemployment tax):

- a. On line 5a of Form 941
- b. On line 2 of Form 941
- c. In box 1 of Form W-2
- d. In Part 2 of Form 940

**45.** A live direct deposit can be made if a prenotification is not returned. Nor a notification of change received, within how many banking days of the settlement date?

- a. 1
- b. 2
- c. 6
- d. 3

**46.** An employer receives the following wage attachments in this order: (1) an administrative wage garnishment (AWG), (2) a child support withholding order, and (3) a state tax levy. Further assume that state tax levies take priority after child support orders under state law. Under federal law, what priority should be given to these multiple attachments?

- a. AWG, state tax levy, child support
- b. Child support, state tax levy, AWG
- c. State tax levy, AWG, child support
- d. Child support, AWG, state tax levy

**47.** The total cost of the disability insurance premium is \$35 per month. The employer pays 60% and the employee pays 40% with pretax dollars under the employer's flexible benefits plan. Assuming that an employee receives \$100 in sick pay because of temporary disability, what portion of the payment is included in gross taxable wages?

- a. \$100
- b. \$40
- c. \$60
- d. \$0

**48.** Which of the following is not a participant in the direct deposit program?

- a. ODFI
- b. Employer
- c. Employee
- d. FDIC

**49.** In which of the following situations is a Form 940 required?

- a. Organizations described under §501(c)(3)
- b. Wages paid in excess of \$1,500 for the year
- c. Wages paid in excess of \$1,500 for any calendar quarter
- d. Household employees paid less than \$1,000 for the quarter

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**50.** If a Form W-4 is not obtained from a newly hired employee, the company must withhold as if the employee claimed:

- a.** Single with no allowances
- b.** Married with one allowance
- c.** Single with two allowances
- d.** Married with two allowances