

1. Given an undesirable foreign assignment, an employee would probably receive a:

- a. Completion bonus
- b. Hardship premium
- c. Relocation reimbursement
- d. Hypothetical tax

2. In terms of initiation, authorization, documentation, and implementation of policy, payroll is usually the department that:

- a. Implements
- b. Authorizes
- c. Documents
- d. Initiates

3. Which of the following would probably not be included in the job description of the payroll department?

- a. Data entry of payroll input
- b. Review of source documents for proper authorization
- c. Reconciliation of payroll bank account
- d. Distribution of payroll-related reports

4. Which of the following would not be an asset account?

- a. Cash
- b. Accounts receivable
- c. Inventory
- d. Accounts payable

5. How are expatriates compensated for the difference between the cost of goods and services in the foreign location and in the United States?

- a. Foreign service premium
- b. Contract completion bonus
- c. Cost-of-living allowance
- d. Hardship premium

6. Why is a project team important?

- a. It is needed to select the best system.
- b. It will write the programs for the new system.
- c. It provides participation by all departments involved in the project.
- d. It provides backup for production processing.

7. What is the difference between the debits and credits to an account called?

- a. Single entry
- b. Double entry
- c. Cross footing
- d. Balance

8. Which of the following is found in a total quality management program?

- a. A single work team that delivers solutions to managers throughout the company
- b. Teams of upper management that develop quality standards for subordinates
- c. Cross-functional quality improvement teams
- d. Confidential teams to critique poor performers

9. All of the following features are advantages of an automated time and attendance system except:

- a. Less time spent on processing
- b. Fewer errors introduced during processing
- c. More time spent on administrative tasks
- d. Decreased costs

10. The integrity of an external audit is best assured when the audit is performed by a(n):

- a. Independent accounting firm
- b. Registered accounting firm
- c. Big 4 accounting firm
- d. IRS-certified accounting firm

11. Which of the following should be addressed early in a system study?

- a. Documentation of the new system
- b. Requirements of the new system
- c. Proposals from vendors
- d. An audit of the new system's performance

12. Which of the following best illustrates segregation of job duties?

- a. Supervisor collects time cards from employees and inputs to database for direct processing of pay
- b. Immediate supervisor authorizes increases for employees
- c. Payroll enters file maintenance input and processes the payroll
- d. Human resources recommends a change in company policy and change is approved by upper management

13. Who of the following generally cannot claim exempt on the Form W-4?

- a. U.S. employee working abroad
- b. Non Resident alien working in the U.S.
- c. U.S. Resident working in the U.S.
- d. U.S. Student working abroad as an intern

14. Which account has an entry when the deposit of state income tax withheld is made?

- a. Employee's income tax payable
- b. Payroll tax expense
- c. State tax expense
- d. State income tax payable

15. In what section of the balance sheet would you find payroll accruals?

- a. Long-term liabilities
- b. Current assets
- c. Plant and equipment
- d. Current liabilities

16. The manager who tends to do things strictly by the book, hiding behind rules and regulations, is using what type of management style?

- a. Open-ended leadership
- b. Participative leadership
- c. Bureaucratic leadership
- d. Autocratic leadership

17. The journal entries required to record federal income tax withheld are:

- a. Debit tax expense, credit federal income tax withheld
- b. Debit tax payable, credit federal income tax withheld
- c. Debit tax payable, credit cash
- d. Debit cash, credit tax expense

18. The budgeted payroll tax expense for the period was \$500. The actual expense for the period was \$506. The variance was:

- a. \$6 unfavorable
- b. \$1,006 unfavorable
- c. \$6 favorable
- d. \$506 favorable

19. All of the following features are advantages of an in-house payroll system except:

- a. Convenient access
- b. Low fixed costs
- c. Scheduling flexibility
- d. System security

20. What is a "request for proposal"?

- a. A vendor's written bid to the prospective purchaser of the service or software
- b. A company's description of its structure, requirements, and expectations of a new system prepared for the vendor
- c. The project team's recommendations to the appropriation approval committee
- d. A request from the project team for project funding

**21.** Which is the term for the income tax an employee would have paid if the employee had remained in the US rather than taking a foreign assignment?

- a. Hypothetical tax
- b. Excise tax
- c. Equalization tax
- d. Gift tax

**22.** Which of the following should be included in a parallel plan?

- a. Cost model
- b. Time and attendance interface
- c. Vendor RFP
- d. Prototype

**23.** The theory of management that stresses the importance of achievements of the group rather than the individual is:

- a. Theory Z
- b. Theory X
- c. Theory Y
- d. Situational leadership

**24.** Which of the following best defines conversion acceptance?

- a. The printing of reports that list all the data generated in the conversion program
- b. The validation by the owner of data mapped and moved from the old to the new system
- c. Data converted to the new system with no kick-outs on the conversion run
- d. Turnover of the conversion programs from the development team member to the test team

**25.** Which of the following is never delegated to subordinates?

- a. Authority
- b. Responsibility
- c. Accountability
- d. Creativity

**26.** The journal entries required to record the employer portion of FICA taxes for the month are:

- a. Debit tax payable, credit tax expense
- b. Debit tax expense, credit tax payable
- c. Debit salary expense, credit tax payable
- d. Debit tax payable, credit salary expense

**27.** What form is filed to claim bona fide resident status?

- a. Form 1042
- b. Form 2442
- c. Form 2555
- d. Form 1116

**28.** The primary objectives of an external audit include all the following except:

- a. Ensuring that the financial statements are fairly presented
- b. Ensuring that company policies and procedures are being followed
- c. Ensuring that assets are safeguarded
- d. Determining if any material weaknesses are present

- 29.** A “windfall” might be enjoyed by an employee under what plan?
- a.** Tax deduction
  - b.** Tax protection
  - c.** Tax equalization
  - d.** Tax deferral
- 30.** FUTA and SUTA taxes payable are what types of accounts?
- a.** Owner’s equity
  - b.** Assets
  - c.** Liabilities
  - d.** Net worth
- 31.** A situation that could, in the external auditor's opinion, represent a deficiency in the design or operation of the internal control structure, would result in a:
- a.** Material weakness
  - b.** Noncompliance letter
  - c.** Management letter
  - d.** Deficiency
- 32.** The financial statement that shows the financial position of a business entity by summarizing the assets, liabilities, and owner's equity is:
- a.** Income statement
  - b.** Trial balance
  - c.** Balance sheet
  - d.** Budget

- 33.** Which of the following probably does not require employee authorization?
- a. Deduction for state garnishment judgment
  - b. Address change
  - c. Increased deduction for U.S. Savings Bonds
  - d. Deduction for uniform purchases
- 34.** What is the maximum amount that can be excluded from gross income under the foreign earned income exclusion for 2013?
- a. \$95,100
  - b. \$92,900
  - c. \$97,600
  - d. Cannot exclude income earned abroad
- 35.** The manager who delegates everything but provides little or no coaching to staff is practicing the management style of:
- a. Directing
  - b. Coaching
  - c. Supporting
  - d. Delegating
- 36.** Choose the statement that represents the best implementation of internal control:
- a. Payroll initiates deductions for group insurance
  - b. Payroll reviews canceled checks before passing them on to the internal auditing department
  - c. Payroll stores manual checks for safekeeping
  - d. File maintenance output is reviewed by human resources

- 37.** What is the purpose of system testing when implementing a new system?
- a.** It allows you to compare the test to the old system.
  - b.** It allows you to see what data came from the old system to the new one in conversion.
  - c.** It allows you to examine the entire system operating with all elements in place.
  - d.** It allows acceptance of the delivered prototype.
- 38.** Why would an income tax treaty NOT be helpful to expatriates?
- a.** Provides for safety of employee while working abroad
  - b.** Ensures taxation will not exceed that of natives of host country
  - c.** Allows avoidance of all taxation for period of foreign assignment
  - d.** Reduces taxes owed by U.S. citizen to a foreign country
- 39.** What is the final test before going 'live' with a new system?
- a.** Parallel test
  - b.** Spot test
  - c.** Stress test
  - d.** Conversion test
- 40.** The report used to detail the transactions in all of the accounts of the business entity is:
- a.** Income statement
  - b.** Balance sheet
  - c.** Statement of earnings
  - d.** General ledger

- 41.** When revenue and expenses are recorded in the same accounting period, which accounting concept is being applied?:
- a.** Business entity
  - b.** Realization
  - c.** Continuing concern
  - d.** Matching
- 42.** What is the purpose of a change control request?
- a.** Communicates results of detail tests
  - b.** Becomes element of personal performance reviews
  - c.** Establishes business reason for change
  - d.** Informs payroll customers about legislative changes
- 43.** Which of the following individuals are not required to pay FICA tax?
- a.** U.S. resident working for a U.S. firm in the United States
  - b.** Nonresident alien working for a foreign employer in the United States
  - c.** Nonresident alien working for a U.S. employer in the United States
  - d.** U.S. resident working for a foreign employer outside the United States
- 44.** Managers who give their employees freedom to get the job done are using what type of management style?
- a.** Open ended leadership
  - b.** Participative leadership
  - c.** Bureaucratic leadership
  - d.** Autocratic leadership

45. A relational database arranges data in:
- a. Tables
  - b. Prototypes
  - c. Networks
  - d. Protocols
46. The journal entries required to record salaries earned but not paid are:
- a. Debit salary expense, credit salary expense
  - b. Debit salary expense, debit salary payable
  - c. Debit salary expense, credit salary payable
  - d. No entry is necessary
47. What account is credited for child support withheld?
- a. Child support expense
  - b. Child support payable
  - c. Accounts payable
  - d. Payroll taxes expenses
48. If an external auditor discovers a condition that could create a high risk of error with respect to the fair presentation of the financial statement, this could result in a:
- a. Deficiency
  - b. Material weakness
  - c. Management letter
  - d. Noncompliance report

**49.** The financial statement used to evaluate the performance of a business by matching its revenue and related expenses for a particular accounting period is:

- a. Balance sheet
- b. Trial balance
- c. General ledger
- d. Income statement

**50.** Job descriptions are useful in promoting good management and internal control in all of the following areas except one:

- a. Management by objectives
- b. Compliance with Equal Employment Opportunity Commission guidelines
- c. De-segregation of job duties
- d. Rotation of job duties