

HOW MUCH DO YOU KNOW TODAY? *Practice Exam Answers*

1. An employer must withhold on group-term life insurance in excess of \$50,000 for which of the following taxes? Ch 3 - 7
- a. Social security and Medicare taxes only
 - b. Social security, Medicare and federal income taxes
 - c. Social security, Medicare and FUTA taxes
 - d. Social security, Medicare, federal income, and FUTA taxes
2. What is the due date for Form 940? Ch 7 - 12
- a. December 31
 - b. January 15
 - c. January 31
 - d. February 15
3. In what account is the payment of salaries and wages recorded? Ch 11 - 14
- a. Asset
 - b. Liability
 - c. Expense
 - d. Revenue
4. Under a dependent care assistance flexible spending arrangement, employees may be reimbursed up to what amount of dependent care expenses for each plan year? Ch 4 - 14
- a. \$2,000
 - b. \$3,000
 - c. \$5,000
 - d. \$10,000
5. Full-time life insurance salespersons paid solely by commission are exempt from: Ch 1 - 7
- a. Social security and Medicare taxes
 - b. Social security tax only
 - c. FUTA tax
 - d. Social security, Medicare, and FUTA taxes
6. What code is entered in Box 12 of Form W-2 when the value of group-term life insurance over \$50,000 is reported? Ch 8-23
- a. Code C
 - b. Code D
 - c. Code E
 - d. Code F

7. Which account has an entry when the deposit of state income tax withheld is made? Ch 11-19
- a. Employees' income tax payable
 - b. Payroll tax expenses
 - c. State tax expense
 - d. State income tax payable
8. For payments made to a disabled employee by a third party who is not an agent, the third party is not required to withhold federal income tax unless the employee requests that a certain amount be withheld by furnishing the third party with: Ch 4 - 5
- a. Form W-4
 - b. For W-4S
 - c. Form W-4P
 - d. Form 1099-R
9. XYZ Corporation, a semiweekly depositor, has a payroll tax liability of \$65,000 on the first Thursday in December 2017. When must the liability be deposited? Ch 8 - 13
- a. The following Wednesday
 - b. The following Friday
 - c. The 15th of the following month
 - d. With the quarterly Form 941
10. When does an employer stop withholding for a federal tax levy? Ch 9 - 10
- a. When Form 668-W is received
 - b. When Form 668-D is received
 - c. When Form 668-S is received
 - d. When the IRS collection officer calls
11. How many years must an employer keep the authorization agreement for direct deposit after revocation by the employee? Ch 5 - 3
- a. At least two years
 - b. At least one year
 - c. There is no retention requirement
 - d. At least three years

- 12.** All of the following features are advantages of an in-house payroll system except: Ch 12 - 7
- a. Convenient access
 - b. Low fixed costs
 - c. Scheduling flexibility
 - d. System security
- 13.** David has child and dependent care expenses of \$6,500 during 2017, and his employer reimburses him in full during the same year. How much of the reimbursement is taxable to David for 2017? Ch 3 - 12
- a. \$1,500
 - b. \$5,000
 - c. \$6,500
 - d. None of it is taxable
- 14.** What is the maximum amount that can be excluded from gross income under the foreign earned income exclusion for 2017? Ch 14 - 1
- a. \$100,800
 - b. \$102,100
 - c. \$101,300
 - d. Cannot exclude income earned abroad
- 15.** For 2017, what is the social security tax wage base? Ch 6 - 17
- a. \$117,000
 - b. \$127,200
 - c. \$118,500
 - d. \$113,700
- 16.** If a pay period ends August 22, employees are paid August 29, and the payroll tax deposit is due September 15, when should the payroll expenses be recorded? Ch 11 - 7
- a. August 22
 - b. August 23
 - c. August 29
 - d. September 15
- 17.** When the IRS publishes regulations they are coded "T.D." What does T.D. stand for? Ch 13 - 15
- a. Tax Data
 - b. Tax Development
 - c. Technical Decision
 - d. Treasury Decision

18. In 2017, what is the maximum amount of contributions that can be made by an employee and an employer to the employee's account in a defined contribution plan? Ch 4 - 25
- a. \$18,000
 - b. \$24,000
 - c. \$54,000
 - d. \$270,000
19. What document records payroll data for each payroll period? Ch 11 - 17
- a. Earnings record
 - b. Payroll register
 - c. Payroll ledger
 - d. Accounts receivable ledger
20. The business standard mileage rate for 2017 is: Ch 3 - 5
- a. 53.5 cents per mile
 - b. 6 cents per mile
 - c. 57.5 cents per mile
 - d. 54 cents per mile

TRUE or FALSE

21. For a 40-hour workweek, Paul, who is a nonexempt employee, is paid \$270. This is a violation of the FLSA. Ch 2 -21
- TRUE**
22. The annual lease method for valuing vehicles includes the value of employer-provided fuel Ch 3 -9
- FALSE**
23. The initial step in selecting a new payroll system is to prepare a request for proposal Ch 12 - 11
- FALSE**
24. Salary advances (prepaid wages) must be included in the employee's income for the payroll period in which they are received. Ch 3 - 20
- TRUE**

25. Foreign earned income is considered to be income in the year it was earned, not in the year in which it is paid.

Ch 14 - 9

TRUE**CALCULATION PRACTICE****Use the following information for Questions 26 - 30**

Sarah Simmons has an annual income of \$96,000. She is paid semi-monthly and she contributes \$150 per month to her employer's cafeteria plan and 6% of her salary to a 401(k) plan. She has submitted a W-4 claiming Married - 3 exemptions

Calculate the following for the pay period:

26. What are her Federal income taxable wages for the pay period?

$$\begin{aligned} \text{Gross Wages } (\$96,000 / 24) &= \$4,000.00 \\ \text{Cafeteria plan } (\$150 / 2) &= (75.00) \\ \text{401(k) } (\$4,000.00 \times .06) &= (240.00) \\ &= \mathbf{\$3,685.00} \end{aligned}$$

27. What are her Social Security taxable wages for the pay period?

$$\begin{aligned} \text{Gross Wages } (\$96,000 / 24) &= \$4,000.00 \\ \text{Cafeteria plan } (\$150 / 2) &= (75.00) \\ &= \mathbf{\$3,925.00} \end{aligned}$$

28. What are her Medicare taxable wages for the pay period?

$$\begin{aligned} \text{Gross Wages } (\$96,000 / 24) &= \$4,000.00 \\ \text{Cafeteria plan } (\$150 / 2) &= (75.00) \\ &= \mathbf{\$3,925.00} \end{aligned}$$

29. What are her FUTA taxable wages for the pay period?

$$\begin{aligned} \text{Gross Wages } (\$96,000 / 24) &= \$4,000.00 \\ \text{Cafeteria plan } (\$150 / 2) &= (75.00) \\ &= \mathbf{\$3,925.00} \end{aligned}$$

30. Calculate her net pay for the current period (using the Percentage Method Tax Tables)

$$\begin{aligned} \text{Semi-monthly exemptions} &= 3 \times 168.80 = 506.40 \\ \text{Federal Taxable: } & \mathbf{3,685.00} - 506.40 = 3,178.60 \\ 3,178.60 - 1,138.00 &= 2,040.60 \times 15\% = 306.09 \\ 306.09 + 77.80 &= 383.89 = \text{Federal Income Tax} \end{aligned}$$

Social Security taxable wages

$$3,925.00 \times 6.2\% = 243.35$$

Medicare taxable wages

$$3,925.00 \times 1.45\% = 56.91$$

Gross Wages:	4,000.00
Fed WH Tax	(383.89)
SS Tax	(243.35)
Medicare Tax	(56.91)
Cafeteria Ded	(75.00)
401k Ded	(240.00)
Net Pay:	\$3,000.85