

HOW MUCH DO YOU KNOW TODAY? *Practice Exam*

1. An employer must withhold on group-term life insurance in excess of \$50,000 for which of the following taxes?
 - 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?
 - a. December 31
 - b. January 15
 - c. January 31
 - d. February 15

3. In what account is the payment of salaries and wages recorded?
 - 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?
 - 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:
 - 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?
 - 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?
- Employees' income tax payable
 - Payroll tax expenses
 - State tax expense
 - 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:
- Form W-4
 - For W-4S
 - Form W-4P
 - 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?
- The following Wednesday
 - The following Friday
 - The 15th of the following month
 - With the quarterly Form 941
10. When does an employer stop withholding for a federal tax levy?
- When Form 668-W is received
 - When Form 668-D is received
 - When Form 668-S is received
 - 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?
- At least two years
 - At least one year
 - There is no retention requirement
 - At least three years
12. All of the following features are advantages of an in-house payroll system except:
- Convenient access
 - Low fixed costs
 - Scheduling flexibility
 - 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?
- \$1,500
 - \$5,000
 - \$6,500
 - 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?
- \$100,800
 - \$102,100
 - \$101,300
 - Cannot exclude income earned abroad
- 15.** For 2017, what is the social security tax wage base?
- \$117,000
 - \$127,200
 - \$118,500
 - \$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?
- August 22
 - August 23
 - August 29
 - September 15
- 17.** When the IRS publishes regulations they are coded "T.D." What does T.D. stand for?
- Tax Data
 - Tax Development
 - Technical Decision
 - 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?
- \$18,000
 - \$24,000
 - \$54,000
 - \$270,000

19. What document records payroll data for each payroll period?
- Earnings record
 - Payroll register
 - Payroll ledger
 - Accounts receivable ledger
20. The business standard mileage rate for 2017 is:
- 53.5 cents per mile
 - 6 cents per mile
 - 57.5 cents per mile
 - 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.
22. The annual lease method for valuing vehicles includes the value of employer-provided fuel
23. The initial step in selecting a new payroll system is to prepare a request for proposal
24. Salary advances (prepaid wages) must be included in the employee's income for the payroll period in which they are received.
25. Foreign earned income is considered to be income in the year it was earned, not in the year in which it is paid.

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?
27. What are her Social Security taxable wages for the pay period?
28. What are her Medicare taxable wages for the pay period?
29. What are her FUTA taxable wages for the pay period?
30. Calculate her net pay for the current period (using the Percentage Method Tax Tables)