

**2017 FPC/ CPP EXAM PREPARATION TRAINING**

**TEST 1:** (Covers Material from Chapters 1-3 in The Payroll Source)

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1. If an employee is reimbursed for business mileage at the rate of \$.580 for 100 miles driven in August through December of 2017, how much, if any, of the reimbursement would be subject to employment tax and withholding, assuming the employee reports the time, place, and business purpose of the travel?
  - a. \$0.00
  - b. \$53.50
  - c. \$4.50
  - d. \$58.00
  
2. Assume that an employee is covered by an employer's dependent care assistance plan. Under this cash reimbursement plan, the employee is entitled to a cash reimbursement equal to \$200 a month. In the months of January–December 2016, the employee was reimbursed in the amount of \$2,000, which represented benefits due for the first 10 months of the year. The employee received \$400 in 2017 for benefits earned in the months of November and December 2016. How much should the employer report on the Form W-2 in box 10 (dependent care assistance) for 2016?
  - a. \$2,000
  - b. \$400
  - c. \$0
  - d. \$2,400
  
3. Unintentional failure to treat workers as employees may result in a tax assessment of:
  - a. 15% additional tax for FICA, 20% for federal income tax
  - b. 20% additional tax for federal income tax, 7.65% for FICA
  - c. 20% of employees' FICA, 1.5% of amount deemed to be wages
  - d. 40% of employees' FICA, 1.5% of amount deemed to be wages
  
4. The following form may be submitted to the Internal Revenue Service to request a written determination of a worker's status:
  - a. Form 8919
  - b. Form 4669
  - c. Form SS-8
  - d. Form 4670
  
5. The backup rate of withholding for independent contractor payments in excess of \$600 for 2017 is:
  - a. 31%
  - b. 20%
  - c. 30%
  - d. 28%
  
6. An employee died on November 15, 2017. A wage payment was made on November 18, 2017. The wages are subject to:
  - a. FITW and FICA
  - b. FITW only
  - c. FICA and FUTA only
  - d. No FITW, FICA, or FUTA

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7. Which of the following annual returns must be submitted by large food and beverage establishments?
- a. Form 941
  - b. Form 8027
  - c. Form 4070
  - d. Form 8821
8. Group-term life insurance over \$50,000 is subject to:
- a. FUTA only
  - b. FICA and FUTA only
  - c. FITW only
  - d. FICA and FIT only
9. Go to question 1, and assume that the employee did not report the time, place, and business purpose of the travel. How much of the reimbursement, if any, would be subject to employment tax and withholding?
- a. \$0.00
  - b. \$53.50
  - c. \$4.50
  - d. \$58.00
10. Assume that it is June 15, 2017. An employer provides an employee with \$3,000 in dependent group-term life insurance benefits. What portion, if any, of the benefit is subject to FITW, FICA, and FUTA?
- a. \$1,000
  - b. \$3,000
  - c. \$0
  - d. \$2,000
11. A differential military payment made to an employee in 2017 is subject to which of the following taxes?
- a. FIT, FITW, FICA and FUTA
  - b. FIT and FITW
  - c. FICA and FUTA
  - d. None
12. Under the annual bright-line test, an employee with exempt duties must earn at least:
- a. \$90,000
  - b. \$50,000
  - c. \$65,000
  - d. \$100,000

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13. Using the following information, how many overtime hours would this employee be entitled to under the FLSA?

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
8 hours	10 hours	8 hours SICK	8 hours	8 hours	8 hours	4 hours

- a. 8
- b. 6
- c. 2
- d. 4

14. Under the FLSA, a workweek is:

- a. Sunday through Saturday
- b. Monday through Sunday
- c. 120 consecutive hours
- d. 168 consecutive hours

15. A nonexempt employee who normally works a 35-hour workweek is paid a salary of \$350 based on this normal workweek. How much pay is due this employee under the FLSA if 38 hours are worked in the workweek?

- a. \$380.00
- b. \$350.00
- c. \$391.45
- d. \$395.00

16. On July 24, 2017, the federal minimum wage is:

- a. \$5.15
- b. \$6.55
- c. \$5.85
- d. \$7.25

17. A property maintenance employee who is nonexempt received a bonus payment in the amount of 1% of the monthly rent paid by tenants of the property. This bonus was \$100. The employee worked a total of 172 hours for the month in which the bonus was earned, 12 of which represented overtime hours. The regular rate of pay is \$10 per hour. How much additional half-time of overtime pay is due this employee as a result of the bonus payment?

- a. \$103.48
- b. \$3.75
- c. \$3.48
- d. \$180.00

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**18.** Employee Mike, a restaurant waiter who normally earns \$50 in tip income per night, works 41 hours in the workweek and earns \$332.51 in tip income. His employer pays all waiters the federal minimum wage less the maximum allowable tip credit. In addition, his employer will deduct \$5.50 in credit card fees from his tip income for the workweek. What are Mike's gross wages (including tip income) for the workweek, assuming it is November 14, 2017?

- a. \$356.83
- b. \$359.76
- c. \$359.41
- d. \$417.97

**19.** Which of the following employees is most likely to be considered an exempt professional employee under the FLSA?

- a. Executive secretary
- b. A shop foreman
- c. An engineer
- d. An auditor

**20.** An employer makes a payment to Lawfirm, Inc. of \$15,000 back pay and \$3,000 for attorney fees in settlement of an overtime pay violation. Which of the following represents the correct reporting of this payment?

- a. Form W-2 of \$18,000 to the employee, and Form 1099-MISC of \$3,000 to the attorney
- b. Form W-2 of \$15,000 to the employee, Form 1099-MISC of \$3,000 to the employee, and Form 1099-MISC of \$18,000 to the attorney
- c. Form W-2 of \$15,000 to the employee, Form 1099-MISC of \$3,000 to the employee, and Form 1099-MISC of \$3,000 to the attorney
- d. Form W-2 of \$18,000 to the employee, and Form 1099-MISC of \$18,000 to the attorney

**21.** Which of the following employers are covered by the Family and Medical Leave Act regardless of the number of employees of the employer:

- a. Employees of state and local government employers
- b. Employees of health and nursing care facilities
- c. Employees who work within 60 miles of a facility with 50 or more covered employees
- d. Part-time employees

**22.** Taxes advanced by employers on behalf of employees for noncash fringe benefits must be recovered from employees by what date?

- a. January 1
- b. April 1
- c. December 31
- d. March 31

**23.** In week 1, a nonexempt employee received a total of \$330, including overtime pay, for a 50-hour workweek. A production bonus of \$25 was earned in week 1 but was not paid until week 2. How much additional pay must be paid to this employee in week 2 for compensation related to week 1 under the FLSA?

- a. \$5.00
- b. \$33.00
- c. \$27.50
- d. \$2.50

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24. Which of the following is NOT a qualified reason for providing an employee with family and medical leave?
- a. Serious illness of mother-in-law
  - b. Placement of a foster child
  - c. Serious illness of spouse
  - d. Prenatal care for uncomplicated pregnancy
25. Payments made to independent contractors must be reported on a Form 1099 if payments for the year equal or exceed:
- a. \$1,000
  - b. \$500
  - c. \$600
  - d. \$1,500
26. Which of the following mileage reimbursements would NOT be excluded from taxable wages?
- a. Travel from work to an offsite client meeting
  - b. Travel from the home office to the headquarters' office
  - c. Travel from home to a second work location outside of the metropolitan area
  - d. Travel from work to a seasonal residence
27. An employee of a covered employer is eligible for family and medical leave if he or she worked how many hours in the 12 months preceding the leave request?
- a. 2,080
  - b. 1,250
  - c. 168
  - d. 365
28. For purposes of using IRS Uniform Premium Table I for group-term life insurance, and assuming the employee's date of birth is April 3, 1978, what age would be used for computing taxable income in January of 2017?
- a. 30
  - b. 38
  - c. 32
  - d. 39
29. Which of the following is an exempt benefit under the definition of "working condition" fringe?
- a. Dependent group-term life
  - b. Occasional holiday fruit baskets
  - c. Job improvement seminar
  - d. Permanent travel advance
30. Assume it is June 15, 2017. An employer provides an employee with \$25 per month in transit benefits. What portion, if any, of the benefit is subject to FITW, FICA, and FUTA?
- a. \$0
  - b. \$25
  - c. \$4
  - d. \$10

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**31.** Assume it is 2017. Employee John's regular wages for the week are \$50.00 and his year-to-date wages are \$80,000 prior to the payroll period. In addition, \$300 in tip income is imputed. How much FIT (assuming a FITW rate of 25% on regular wages and 20% on tip income) and FICA tax should the employer withhold?

- a. FICA = \$26.78, FIT = \$23.22
- b. FICA = \$23.72, FIT = \$26.78
- c. FICA = \$3.83, FIT = \$49.31
- d. FICA = \$22.95, FIT = \$38.19

**32.** The proper definition of EPA is:

- a. Early Pension Age: the age at which an employee may receive pension benefits
- b. Equal Pay Act: a Fair Labor Standards Act provision
- c. Earnings Paid Annually: describes the base for determining the hourly rate of pay for salaried employees
- d. Equal Pay Average: describes the method of determining the average rate of pay in the workweek

**33.** An employee earns \$2,000 per month. The regular rate of pay for this employee for overtime purposes (assuming the salary is intended to compensate a 40-hour workweek) is:

- a. \$8.33
- b. \$11.54
- c. \$10.87
- d. \$50.00

**34.** The following payment may be excluded from the regular rate of pay for premium pay computation purposes:

- a. Production bonus
- b. Flat-sum payment for overtime
- c. Fair market value of rent paid on employee's behalf
- d. Retirement plan contributions

**35.** The following benefit would be reported for FICA tax purposes when earned, rather than when paid:

- a. Nonqualified deferred compensation
- b. Tips
- c. Jury duty pay
- d. Idle time pay

**36.** Employee Joe is on an offshore 24-hour work assignment. While on this assignment, he spends 10 hours of uninterrupted time sleeping in his living quarters. Joe must be compensated for how many hours for the day under the FLSA?

- a. 16
- b. 19
- c. 24
- d. 14

**37.** The minimum salary requirement for an exempt outside salesperson is:

- a. \$170
- b. -0-
- c. \$455
- d. \$250

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- 38.** Exempt, hourly paid computer professionals must be paid not less than how much per week?
- a. \$455
  - b. \$0
  - c. \$380
  - d. \$250
- 39.** Mark, a nonexempt employee, lives and works in New York City. He normally works Monday through Friday between the hours of 9:00 a.m. and 5:00 p.m. On Sunday, he arrives at the airport at 9:00 a.m. to catch a 10:00 a.m. flight to Orlando to attend a trade show. He arrives in Orlando at 3:30 p.m. On Monday, Mark arrives at the trade show at 8:00 a.m., does not take a rest period, leaves for the airport at 2:30 p.m., and returns to his home at 9:30 p.m. on Monday evening. How many hours of pay are due Mark for Sunday through Monday under the FLSA?
- a. 9.0
  - b. 13.5
  - c. 15.5
  - d. 14.5
- 40.** Employee Karen, who is 45 years old, separates from employment and has a balance of \$10,000 in her employer's qualified retirement plan. \$5,000 represents the amount that Karen contributed on a pretax basis and the other \$5,000 represents employer matching contributions. It is 2017, and Karen elects to have the \$10,000 distribution paid in a lump sum directly to her. How much money will Karen receive?
- a. \$5,000
  - b. \$9,000
  - c. \$8,000
  - d. \$2,000
- 41.** Which of the following employer-provided benefit is subject to FUTA?
- a. health insurance
  - b. educational assistance of \$1,000
  - c. group-term life over \$50,000
  - d. adoption assistance
- 42.** The monthly exclusion for mass transit benefits provided in 2017 is:
- a. \$125
  - b. \$250
  - c. \$255
  - d. \$130
- 43.** Which of the following is the BEST indication of independent contractor status?
- a. A contract
  - b. Worker furnishes his or her own tools and supplies
  - c. Worker receives no employer benefits
  - d. Worker has opportunity for profit or loss

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44. All of the following, except one, represent compensation that is NOT subject to FICA. Which one is the exception?
- a. Reimbursed moving expenses for moving van and packing fees
  - b. Value of below-market, compensation-based loans
  - c. Group-term life insurance under \$50,000
  - d. Dependent group-term life insurance over \$2,000
45. Which of the following meets the definition of supplemental wages?
- a. Fair market value of personal auto use
  - b. Shift differential
  - c. Call-out pay
  - d. Paid time off
46. Employees report tip income to the employer on which of the following forms?
- a. Form 8027
  - b. Form 2678
  - c. Form W-4
  - d. Form 4070
47. An employee is paid \$10 per hour. He worked 45 hours in the workweek and received a \$50 production bonus. His total compensation is:
- a. \$500.00
  - b. \$525.00
  - c. \$575.00
  - d. \$527.80
48. The following private sector employers are covered by the Family and Medical Leave Act:
- a. All employers
  - b. Employers with 4 or more employees
  - c. Employers with 50 or more employees
  - d. Employers with 75 or more employees
49. Sharon, an exempt professional employee, is paid a guaranteed salary of \$550 per week and worked a total of 23 hours on Monday and Tuesday of the workweek. For the remainder of the workweek (Wednesday through Saturday), the office was closed for asbestos removal and she was unable to work. Under the FLSA, how much must Sharon be paid for this workweek?
- a. \$220.00
  - b. \$550.00
  - c. \$233.75
  - d. \$316.25
50. An employee can be docked for serious disciplinary infractions in what increments?
- a. Partial-day
  - b. Full-hour
  - c. Full-week
  - d. Full-day