

## 2017 FPC/CPP EXAM PREPARATION TRAINING

### ANSWERS

#### TEST 2: (Covers Material from Chapters 4-10 in The Payroll Source)

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1. **b.** Child support receives disposable pay up to 50%, and any remainder not to exceed 25% of disposable pay goes to the creditor
2. **c.** Nonwage payments
3. **d.** Holiday pay
4. **b.** March 31, 2018  
  
(3 years from the date of termination or March 31, 2018. A final withholding order was not issued before termination, so March 31 is the applicable date.)
5. **c.** Transportation fringe benefits
6. **a.** \$235.00  
  
\$10,000 x 2.35% = \$235.00\*; \*Settlement pay is wages for FICA tax purposes. The employee's wages exceeded \$200,000 in 2017; therefore, the Medicare tax withholding rate is 1.45% plus the additional Medicare tax of 0.9% for a total of 2.35%. No Social Security tax is withheld because the employee's wages exceeded the Social Security wage base.
7. **b.** 15%
8. **c.** May 10
9. **d.** Document showing employee's job duties
10. **c.** 50% of the amount not withheld  
  
50% is the penalty by IRS definition. In addition, employers are also required to pay 100% of the amount they fail to withhold. The latter is not a penalty by IRS definition.
11. **b.** Form 943
12. **a.** Frequency of tax deposits
13. **a.** Any member (or members) of a group of related corporations that pays an employee who is concurrently employed by two or more of the related corporations
14. **d.** The employer may file a consolidated Form 941
15. **d.** Box 3 = \$127,200, Box 5 = \$150,000
16. **d.** W-4S
17. **c.** 668-D
18. **d.** \$18,000

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**19. c.** Employer contributions to a 401(k)

**20. a.** \$658.41

**Federal Income Tax**

Biweekly pay	\$750.00
Less 401(k) (\$750 x 2%)	(15.00)
Less 125	(50.00)
(a) Subject to FITW	\$685.00
(b) Allowances (Fig. 7.11, P727), 2 x \$155.80	(311.60)
(c) Line a – line b	\$373.40
(d) \$373.40 - \$333.00 = \$40.40 (Table 2(b), Fig. 7.11, P727)	
(e) \$40.40 x 10% =	\$4.04 (FITW)

**FICA Tax**

Social Security taxable wages:

\$127,200 (2017 limit) - \$127,000 (YTD) = \$200

(\$200 x 6.2%) \$12.40 (OASDI)

Medicare taxable wages: \$750 - \$50 (Section 125) = \$700 x 1.45% \$10.15 (HI)

**Net Pay**

\$750.00 - \$15.00 (401(k)) - \$50.00 (Section 125) - \$4.04(FITW) - \$12.40 (OASDI) - \$10.15 (HI) = \$658.41

**21. c.** \$250,396

\$250,396.00, computed as:

\$1,000 x 39.6% = \$396.

\$1,000,000.00 x 25% = \$250,000.00

\$250,000.00 + \$396.00 = \$250,396.00

**22. a.** \$1,300

**23. c.** Federal taxable wages = \$35,500, Social Security/Medicare wages = \$35,000 (only Social Security and Medicare wages may be adjusted)

**24. a.** The following Monday

**25. b.** 457(b)

**26. b.** 2016 = \$7,800, 2017 = \$9,750

(\$12,000 x 65% = \$7,800)

(\$15,000 x 65% = \$9,750)

The employer's contribution ratio in effect in the year the employee last worked is the ratio used for all subsequent years the employee is disabled.

**27. d.** \$5,950 [\$6,000 - \$50 (125 health)] (Joan reached the 401(k) maximum of \$18,000 before the first payday in December 2017)

**28. d.** Personal use of a company-owned vehicle

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**29. c.** 39.6%

**30. b.** 55%

**31. d.** Value of a noncash fringe benefit

**32. c.** \$102,000 is due on Thursday, July 8

*Deposit liabilities accumulated at the end of a quarter (i.e., through Wednesday, June 30) are separate and distinct from liabilities incurred in the next quarter (i.e., Thursday, July 1). Thus, the one-day deposit rule does not apply. Liabilities incurred on Wednesday through Friday are normally due on the following Wednesday. However, because Monday, July 5, was a holiday, the deposit of \$102,000 is due on the next business day after Wednesday, or Thursday, July 8.*

**33. b.** \$4,400.98

100% - (25% + 7.65% + 6%) = 61.35%  
 $\$2,700 / 61.35\% = \$4,400.98$   
 Verify by calculating net pay:  
 $\$4,400.98 - (\$4,400.98 \times 38.65\%) = \$2,700$

**34. c.** For a period of 4 years from the employee's termination

**35. c.** \$217.50 ( $\$7.25 \times 30 = \$217.50$ )

**36. d.** February 10

**37. a.** \$13,550.60

\$13,550.60, calculated as:  
 $\$5,000 = \text{FITW } (20,000 \times 25\%)$   
 $\$1,159.40 = \text{Social Security } (\$18,700 \times 6.2\%)$   
 $\$290.00 = \text{Medicare } (20,000 \times 1.45\%)$   
 Taxable Social Security earnings computed as:  
 $\$128,500 - \$20,000 = \$108,500 \text{ YTD prior to payment}$   
 $\$127,200 \text{ (Social Security wage limit)} - \$108,500 = \$18,700$

**38. c.** Form 8922

**39. d.** 5.4%

**40. b.** Wednesday, October 20

**41. c.** Subject to FICA and FUTA

**42. b.** February 2018

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**43. d.** \$629,250.00

$$\begin{aligned} \$1,500,000 \times 39.6\% &= \$594,000 \text{ (FITW)} \\ \$1,500,000 \times 2.35\% &= \$35,250 \text{ (Medicare)} \\ \$594,000 + \$35,250 &= \$629,250.00 \end{aligned}$$

**44. a.** On line 5a of Form 941

**45. c.** Creditor = \$153.76; child support = \$125

*Under federal law, child support takes priority over a creditor garnishment. However, the amount of the creditor garnishment can't exceed 25% of disposable pay. The 25% limitation includes any amount deducted for child support. The calculation is as follows:*

1.  $125 / 1,115 = 11.21\%$  (% of disposable pay deducted for child support)
2.  $25\% - 11.21\% = 13.79\%$  (maximum remaining percentage allowed for creditor garnishment)
3. Child support = \$125.00 (11.21%); Creditor garnishment = \$153.76 (13.79%); Total percentage of disposable income garnished = 25%

**46. b.** July 1, 2017 (See Paragraph 965, Figure 9.28e)

<b>Suggested Due Dates for Filing Form 941-X for Tax Overpayments That Will Be Applied to Current Quarter's Deposits</b>	
<b>An overpayment credit will be claimed with deposits made in ...</b>	<b>File Form 941-X no later than ..*</b>
January, February, March	April 1
April, May June	July 1
July, August, September	October 1
October, November, December	January 1
<b>*Note that if there is less than 90 days remaining in the statute of limitations, the adjustment process cannot be used. Instead, you must use the claim process.</b>	

**47. a.** \$100

**48. c.** \$448,000

$$\begin{aligned} \$1,000,000 \times 25\% &= \$250,000 \\ \$500,000 \times 39.6\% &= \$198,000 \\ \$250,000 + \$198,000 &= \$448,000 \end{aligned}$$

**49. b.** 12

**50. c.** 1.8%