

2018 FPC/ CPP EXAM PREPARATION TRAINING

TEST 3: (Covers Material from Chapters 11-14 in The Payroll Source)

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. Which of the following is most likely to be included in expenses on an organization's financial statement?
 - a. Company-matched Social Security tax paid to IRS
 - b. Cash
 - c. Wages payable in subsequent month
 - d. Wages payable in subsequent year

3. When revenue and expenses are recorded in the same accounting period, which concept is being applied?
 - a. Business entity
 - b. Matching
 - c. Realization
 - d. Continuing concern

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. Which of the following statements is true?
 - a. A company's fiscal year must be the same as the calendar year
 - b. A company may designate its fiscal year to cover 12 months that differ from the calendar year
 - c. A company's fiscal year must not be the same as the calendar year
 - d. A company must produce Forms W-2 at the end of its fiscal year regardless of the calendar year

7. What is the final test before going "live" with a new system?
 - a. Parallel test
 - b. Spot test
 - c. Stress test
 - d. Conversion test

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

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9. Each of the following conditions is a fundamental dimension that grows out of principle-centered leadership except:

- a. Security
- b. Wisdom
- c. Tenacity
- d. Guidance

10. How many days must an individual be present in a foreign country over a 12-month period to qualify for the foreign earned income exclusion under the physical presence test?

- a. 365 days
- b. 330 days
- c. 120 days
- d. 90 days

11. The entry to record a salary advance to an employee is:

- a. Debit accounts receivable, credit cash
- b. Debit salary expense, credit cash
- c. Debit salary expense, credit wages payable
- d. Debit cash, credit accounts receivable

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. When a company purchases a computer on credit for \$2,500, which of the following journal entries is made?

- a. Debit assets and debit liabilities
- b. Debit assets and credit liabilities
- c. Credit assets and debit liabilities
- d. Credit assets and credit owner's equity

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

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17. The journal entries required to record federal income tax withheld are:
- Debit tax expense, credit federal income tax withheld
 - Debit salary expense, credit federal income tax withheld
 - Debit tax payable, credit cash
 - Debit cash, credit tax expense
18. An employer has decided to change from an old to a new payroll system. In implementing the new system, both the old and the new system are maintained during the testing period. What is this changeover technique called?
- Debugging
 - Pilot testing
 - Parallel testing
 - Back-up system conversion
19. A manager building a successful team must deal with employees who have different personal styles. Each of the following styles is represented on a team other than:
- Contributors
 - Controllers
 - Collaborators
 - Communicators
20. What is a "request for proposal"?
- A vendor's written bid to the prospective purchaser of the service or software
 - A company's description of its structure, requirements, and expectations of a new system prepared for the vendor
 - The project team's recommendations to the appropriation approval committee
 - A request from the project team for project funding
21. What percentage of the maximum foreign earned income exclusion is used to determine the base housing amount?
- 14%
 - 16%
 - 18%
 - 30%
22. What is the process of transferring entries from the journal to the general ledger called?
- Journalizing
 - Posting
 - Footing
 - Balancing
23. When the IRS publishes regulations they are coded "T.D." What does T.D. stand for?
- Tax Data
 - Tax Development
 - Technical Decision
 - Treasury Decision
24. What does a totalization agreement accomplish?
- Prevents double taxation for Social Security
 - Provides for a "windfall" for expatriate
 - Ensures taxation equal to natives of host country
 - Allows avoidance of tax obligations

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25. Which of the following is never delegated to subordinates?
- Authority
 - Responsibility
 - Accountability
 - Creativity
26. The journal entries required to record the employer portion of FICA taxes for the month are:
- Debit tax payable, credit tax expense
 - Debit tax expense, credit tax payable
 - Debit salary expense, credit tax payable
 - Debit tax payable, credit salary expense
27. The theory of management that asserts that all people are basically lazy is:
- Theory Z
 - Theory X
 - Theory Y
 - Situational leadership
28. Which of the following individuals are not required to pay FICA tax?
- U.S. resident working for a U.S. firm in the United States
 - Nonresident alien working for a foreign employer in the United States
 - Nonresident alien working for a U.S. employer in the United States
 - U.S. resident working for a foreign employer outside the United States
29. A “windfall” might be enjoyed by an employee under what plan?
- Tax deduction
 - Tax protection
 - Tax equalization
 - Tax deferral
30. A service company sends its U.S. employees (who are citizens of the U.S.) overseas on assignments that last no more than four months at a time. Which of the following is true with respect to the taxation of those employees?
- They qualify for an income tax exemption under the “physical presence test”
 - They are subject to U.S. taxation on their pay only while in the United States
 - They qualify for an income tax exclusion under the “bona fide residence test”
 - They are subject to U.S. taxation on their pay for the time in and out of the country
31. The journal entries required to record salaries earned but not paid are:
- Debit salary expense, credit salary expense
 - Debit salary expense, debit salary payable
 - Debit salary expense, credit salary payable
 - No entry is necessary
32. The financial statement that shows the financial position of a business entity by summarizing the assets, liabilities, and owner's equity is:
- Income statement
 - Trial balance
 - Balance sheet
 - Budget

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- 33.** The philosophy of management and its operating style are reviewed under aspects of which element of the internal control structure?
- Proper authorization
 - Control environment
 - Performance evaluation
 - Control activities
- 34.** Which of the following forms is required to claim exemption from federal income tax?
- Form 1042
 - Form 8233
 - Form 2032
 - Form 2848
- 35.** The manager who delegates everything but provides little or no coaching to staff is practicing the management style of:
- Directing
 - Coaching
 - Supporting
 - Delegating
- 36.** The financial statement used to evaluate the performance of a business by matching its revenue and related expenses for a particular accounting period is:
- Balance sheet
 - Trial balance
 - General ledger
 - Income statement
- 37.** A citizen of one foreign country who works in another but is paid by a company based in yet another country is commonly called a(n):
- Rotator
 - Third-country national
 - Expatriate
 - Resident alien
- 38.** Why would an income tax treaty NOT be helpful to expatriates?
- Provides for safety of employee while working abroad
 - Ensures taxation will not exceed that of natives of host country
 - Allows avoidance of all taxation for period of foreign assignment
 - Reduces taxes owed by U.S. citizen to a foreign country
- 39.** The U.S. wages of an NRA that are exempt under an income tax treaty are reported on:
- 1042-S
 - W-2
 - 8233
 - 2155
- 40.** The budgeted salary expense for the period was \$250. The actual expense for the period was \$225. The variance was:
- \$25 favorable
 - \$275 favorable
 - \$25 unfavorable
 - \$475 favorable