

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. An employer pays for 100% of the insurance for its employees as part of a sickness and disability benefits plan. Assume an employee received \$1,800 in disability pay from a third-party insurer during the first six calendar months of disability and \$600 over the seventh and eight months. How much of the disability pay would be social security and Medicare taxable, and how much is FIT taxable? Ch 4 - 9
 - a. \$1,800 SS and Med. Taxable, \$1,800 FIT taxable
 - b. \$1,800 SS and Med. Taxable, \$2,400 FIT taxable
 - c. \$2,400 SS and Med. Taxable, \$2,400 FIT taxable
 - d. \$2,400 SS and Med. Taxable, \$1,800 FIT taxable

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 for elective deferrals made under a 403(b) salary reduction agreement? 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 2018. 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. An employee subject to a student loan garnishment loses her job and gets another one six months later. How long is it before the garnishment can be reinstated? Ch 9 - 4

a. 6 months from her date of reemployment

b. 12 months from her date of her reemployment

c. 9 months from her date of reemployment

d. No grace period is allowed

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. 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? Ch 12 - 14

a. Debugging

b. Pilot testing

c. Parallel testing

d. Back-up system conversion

13. Emma, a sales representative, receives a \$1,500 bonus in December 2018 for outstanding performance. The bonus is supplemental wages subject to federal income tax withholding at a flat 22% rate; the social security tax rate is 6.2%; and the Medicare tax rate is 1.45%. Assuming there are no state or local taxes and that Emma has received wages of \$100,000 during the year so far, what is the amount Emma must be paid to guarantee her a net bonus of \$1,500? Ch 3 - 16

a. \$2,132.20

HOW MUCH DO YOU KNOW TODAY?

ANSWERS - CPP 2018

- b. \$2,039.43
- c. \$2,227.17
- d. \$2,162.94

14. What is the maximum amount that can be excluded from gross income under the foreign earned income exclusion for 2018? Ch 14 - 1

- a. \$101,300
- b. \$102,100
- c. \$103,900**
- d. Cannot exclude income earned abroad

15. For 2018, what is the social security tax wage base? Ch 6 -17

- a. \$118,500
- b. \$128,400**
- c. \$127,200
- d. \$117,000

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 2018, 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. \$18,500
- b. \$24,500
- c. \$55,000**
- d. \$275,000

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 2018 is: Ch 3 - 5
- a. 54.5 cents per mile
 - b. 56 cents per mile
 - c. 53.5 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 final test before going live with a new system is called project testing. Ch 12 -13
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 \$129,600.00. 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?
- Gross Wages ($\$129,600.00 / 24$) = \$5,400.00
 - Cafeteria plan ($\$150 / 2$) = (75.00)
 - 401(k) ($\$5,400.00 \times .06$) = (324.00)
 - \$5,001.00**
27. What are her Social Security taxable wages for the pay period?
- Gross Wages ($\$129,600.00 / 24$) = \$5,400.00
 - Cafeteria plan ($\$150 / 2$) = (75.00)
 - \$5,325.00**

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

Gross Wages ($\$129,600.00 / 24$) = $\$5,400.00$
 Cafeteria plan ($\$150 / 2$) = (75.00)
 $\$5,325.00$

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

Gross Wages ($\$129,600.00 / 24$) = $\$5,400.00$
 Cafeteria plan ($\$150 / 2$) = (75.00)
 $\$5,325.00$

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

Semi-monthly exemptions = $3 \times 172.9 = 518.70$
 Federal Taxable: $5,001.00 - 518.70 = 4,482.30$
 $4,482.30 - 3,706.00 = 776.30 \times 22\% = 170.77$
 $170.77 + 371.12 = 541.89 =$ Federal Income Tax

Social Security taxable wages
 $5,325.00 \times 6.2\% = 330.15$

Medicare taxable wages
 $5,325.00 \times 1.45\% = 77.21$

Gross Wages:	5,400.00
Fed WH Tax	(541.89)
SS Tax	(330.15)
Medicare Tax	(77.21)
Cafeteria Ded	(75.00)
401k Ded	(324.00)
Net Pay:	$\\$4,051.75$