

APA

Exam Questions FPC-Remote

Fundamental Payroll Certification



NEW QUESTION 1

- (Topic 1)

All of the following plans are deferred compensation plans EXCEPT:

- A. 401(k)
- B. 403(b)
- C. 457(b)
- D. 501(c)

Answer: D

Explanation:

Comprehensive and Detailed Explanation:Deferred compensation plansallow employees to deferincome taxationuntil retirement. These include:

? 401(k) (Option A)– A private-sector retirement savings plan.

? 403(b) (Option B)– A similar plan fornonprofits and schools.

? 457(b) (Option C)– Anonqualified deferred compensation planfor government employees.

? Option D (501(c)) is incorrectbecause it refers totax-exempt organizations under the IRS code, not a deferred compensation plan.

Reference:

IRS – Tax Treatment of Deferred Compensation Plans Payroll.org – Retirement Plan Payroll Compliance

NEW QUESTION 2

- (Topic 1)

Which of the following amounts is subject to federal income tax withholding?

- A. 401(k) Deferral
- B. Salary Advance
- C. Military-Related Moving Expenses
- D. Health Savings Account (HSA) Contribution

Answer: B

Explanation:

Comprehensive and Detailed Explanation:Federal income tax withholding applies to most forms ofemployee compensation, butsome benefits are tax-exempt.

? Option A (401(k) Deferral)is incorrect because pre-tax contributions to atraditional

401(k)arenot subject to federal income tax(but are subject to FICA).

? Option C (Military Moving Expenses)is incorrect becausequalified military moving expensesare excluded from taxable income under theTax Cuts and Jobs Act (TCJA).

? Option D (HSA Contribution)is incorrect becausepre-tax HSA contributionsmade through payroll deductionare tax-exempt.

? Option B (Salary Advance) is correctbecause anyadvance on future wagesis treated astaxable compensation when paid, and income tax must be withheld.

Reference:

IRS Publication 15 – Taxable and Non-Taxable Compensation Payroll.org – Payroll Taxable Income Guidelines

NEW QUESTION 3

- (Topic 1)

Using the following information, calculate the social security tax to be withheld.

Category	Amount
YTD Wages	\$82,543.24
Salary	\$2,435.76
Workers' Compensation Wages	\$986.00
Section 125 Medical Insurance	\$45.00
Section 125 Dental Insurance	\$9.00
HSA Contribution	\$100.00
401(k) Deferral	\$48.72

- A. \$138.45
- B. \$141.47
- C. \$160.58
- D. \$202.60

Answer: B

Explanation:

Comprehensive and Detailed Explanation:Social Security tax is calculated at6.2%ofSocial Security taxable wages.

? Determine taxable wages:

? Social Security tax = \$2,281.76 ?? 6.2% = \$141.47

Reference:

IRS – Social Security and Medicare Tax Guide (Publication 15) Payroll.org – Social Security Tax Calculation Rules

NEW QUESTION 4

- (Topic 1)

Even if a worker meets the definition of an employee, an employer can still treat the worker as an independent contractor if the worker passes the:

- A. Common Law Test
- B. Reasonable Basis Test
- C. Physical Presence Test
- D. Permanent Resident Test

Answer: B

Explanation:

Comprehensive and Detailed Explanation: The Reasonable Basis Test allows an employer to classify a worker as an independent contractor if:

- ? A previous IRS audit approved similar treatment
- ? A court ruling or IRS ruling supports classification
- ? Industry practices support independent contractor status
- ? Option A (Common Law Test) determines if a worker should be an employee or independent contractor, but does not override misclassification.
- ? Option C (Physical Presence Test) applies to foreign earned income exclusions.
- ? Option D (Permanent Resident Test) applies to immigration status, not worker classification.

Reference:

IRS – Reasonable Basis Test (Section 530 Relief)

Payroll.org – Independent Contractor vs. Employee Guidelines

NEW QUESTION 5

- (Topic 1)

Based on hours recorded for the 7-day workweek below, calculate the number of overtime hours, if any, under the FLSA.

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
8 (Sick Paid)	10 (Vac Paid)	9	8	8	8	2

- A. 3
- B. 5
- C. 13

Answer: B

Explanation:

Comprehensive and Detailed Explanation: Under the Fair Labor Standards Act (FLSA), overtime is calculated only on actual hours worked beyond 40 hours per workweek.

? Paid leave hours (sick and vacation) do not count as "worked" hours under FLSA overtime rules.

? Calculate actual worked hours:

? Overtime hours = 45 - 40 = 5 overtime hours

Thus, the correct answer is B (3 overtime hours), based on hours worked exceeding 40, minus sick and vacation pay.

Reference:

Fair Labor Standards Act (FLSA) – Overtime Regulations Payroll.org – FLSA Compliance Guidelines

NEW QUESTION 6

- (Topic 1)

What is the purpose of Form I-9?

- A. To request an ITIN
- B. To determine how much FIT to withhold from a paycheck
- C. To summarize taxable wages earned during the calendar year
- D. To verify the identity and employment authorization of a worker

Answer: D

Explanation:

Comprehensive and Detailed Explanation: Form I-9, Employment Eligibility Verification, is used by employers to:

- ? Verify the identity of newly hired employees
- ? Ensure employees are legally authorized to work in the U.S.
- ? Prevent illegal employment practices
- ? Option A (Request an ITIN) is incorrect because an ITIN (Individual Taxpayer Identification Number) is requested using Form W-7, not I-9.
- ? Option B (Determine FIT withholding) is incorrect because Form W-4 is used for federal income tax withholding, not Form I-9.
- ? Option C (Summarize taxable wages) is incorrect because Form W-2 summarizes taxable wages.

Reference:

U.S. Citizenship and Immigration Services (USCIS) – Form I-9 Instructions Payroll.org – Employment Eligibility Verification Guide

NEW QUESTION 7

- (Topic 1)

Which of the following plans may be treated as a nonqualified plan?

- A. 401(k)
- B. 403(b)
- C. 408(p)
- D. 457(b)

Answer: D

Explanation:

Comprehensive and Detailed Explanation: A 457(b) plan is a nonqualified deferred compensation plan offered primarily to government and tax-exempt employees.

? Option A (401(k)) and Option B (403(b)) are qualified retirement plans under ERISA.

? Option C (408(p)) refers to a SIMPLE IRA, which is also a qualified plan.

Reference:

IRS – 457(b) Plan Rules and Compliance

Payroll.org – Qualified vs. Nonqualified Retirement Plans

NEW QUESTION 8

- (Topic 1)

All of the following objectives are included in the operations of a Payroll Department EXCEPT:

- A. Accurate tax reporting
- B. Cost savings
- C. Giving tax advice
- D. Reporting to management

Answer: C

Explanation:

Comprehensive and Detailed Explanation: The Payroll Department's key functions include:

? Tax reporting (Option A) – Payroll ensures accurate IRS and state tax reporting.

? Cost savings (Option B) – Payroll manages efficiency, compliance, and automation to reduce costs.

? Reporting to management (Option D) – Payroll provides financial reports and insights to company leadership.

However, giving tax advice (Option C) is NOT a function of payroll. Payroll professionals calculate and withhold taxes but do not provide tax planning advice to employees.

Reference:

Payroll.org – Payroll Department Responsibilities IRS – Employer's Responsibilities for Payroll Taxes

NEW QUESTION 9

- (Topic 1)

All of the following employee information is required when reporting unclaimed wages EXCEPT:

- A. Last Known Address
- B. Employee's Full Name
- C. Employee's Date of Birth
- D. Payment Amount and Date

Answer: C

Explanation:

Comprehensive and Detailed Explanation: Employers must report unclaimed wages to the state according to escheatment laws. Required information includes:

? Last Known Address (A) – To help locate the employee.

? Full Name (B) – To identify the rightful owner.

? Payment Amount & Date (D) – To track the missing wages.

? Option C (Date of Birth) is NOT required in most state reporting systems, as name and address are sufficient for identification.

Reference:

State Escheatment Laws – Unclaimed Wages Payroll.org – Handling and Reporting Unclaimed Wages

NEW QUESTION 10

- (Topic 1)

To ensure net pay is correct and taxes are deposited timely, which items need to be reconciled?

- A. General ledger accounts and payroll register only
- B. Accounts payable payments and end-of-the-month balances only
- C. Accounts payable end-of-the-month balances and general ledger accounts
- D. Accounts payable payments and end-of-the-month balances; general ledger entries and payroll register

Answer: D

Explanation:

Comprehensive and Detailed Explanation: Payroll reconciliation ensures that payroll transactions match financial records to avoid errors in tax deposits, employee payments, and financial reporting.

The correct answer includes all necessary reconciliation points:

? Accounts payable payments (ensure wages were paid)

? End-of-the-month balances (cross-check payroll liabilities)

? General ledger entries (confirm correct postings)

? Payroll register (check against wage statements)

? Option A is incorrect because payroll must also be reconciled with accounts payable and monthly balances.

? Option B & C are incorrect because they exclude payroll register validation.

Reference:

Payroll.org – Payroll Reconciliation Best Practices IRS – Employer's Tax Guide (Publication 15)

NEW QUESTION 10

- (Topic 1)

Specifying a defined response time for an employee's payroll-related question is a component of a Payroll Department??s:

- A. General Service Contract
- B. Service Level Agreement
- C. Standards of Excellence
- D. Time Management

Answer: B

Explanation:

Comprehensive and Detailed Explanation:A Service Level Agreement (SLA) (Option B) outlines the expected response times and resolution times for payroll inquiries. This ensures that payroll staff provide timely assistance to employees.

? Option A (General Service Contract) applies to external service providers, not internal payroll departments.

? Option C (Standards of Excellence) refers to broad performance benchmarks, but it does not include specific response times.

? Option D (Time Management) relates to personal efficiency, not defined service expectations.

Reference:

Payroll.org – Payroll Service Level Agreements Best Practices HR Compliance Guide – Payroll Inquiry Handling

NEW QUESTION 11

- (Topic 1)

Which of the following factors is NOT used to determine a SUTA state?

- A. Base of Operations
- B. Employee??s Residency State
- C. Place of Direction or Control
- D. State of Incorporation

Answer: D

Explanation:

Comprehensive and Detailed Explanation:State Unemployment Tax Act (SUTA) liability is determined based on where an employee works and receives direction from, not necessarily where a company is incorporated.

The key factors for determining SUTA state include:

? Base of Operations (Option A)– Where the employee works.

? Employee??s Residency (Option B)– If an employee works in multiple states, residency may be considered.

? Place of Direction or Control (Option C)– The state where the employer manages and directs the employee.

? Option D (State of Incorporation) is incorrect because SUTA is determined by work location, not company registration.

Reference:

U.S. Department of Labor – SUTA Tax Reporting Rules Payroll.org – State Unemployment Tax Guidelines

NEW QUESTION 14

- (Topic 1)

Under the CCPA, use the following information to calculate the MAXIMUM child support order deduction allowed for an employee supporting a second family and in arrears.

Category	Amount
Gross Wages	\$1,573.00
Total Taxes Withheld	\$175.00

- A. \$689.00
- B. \$768.90
- C. \$838.80
- D. \$908.70

Answer: B

Explanation:

Comprehensive and Detailed Explanation:Under the Consumer Credit Protection Act (CCPA):

? If the employee supports a second family and is in arrears, the maximum garnishment limit is 55% of disposable earnings.

? Calculate Disposable Earnings:

? Calculate Maximum Child Support Deduction (55% of disposable earnings): Thus, the correct answer is B. \$768.90.

Reference:

U.S. Department of Labor – CCPA Garnishment Rules Payroll.org – Child Support Withholding Guidelines

NEW QUESTION 15

- (Topic 1)

To identify an out-of-balance general ledger account, all of the following documents should be used EXCEPT:

- A. General Ledger Account Details
- B. Bank Account Statements

- C. Payroll Register Totals
- D. Copies of Paychecks

Answer: D

Explanation:

Comprehensive and Detailed Explanation: To find discrepancies in a general ledger, the following documents should be reviewed:
? General Ledger Account Details (A) – To track postings and adjustments.
? Bank Account Statements (B) – To ensure transactions reconcile with payroll expenses.
? Payroll Register Totals (C) – To compare wages and tax liabilities against general ledger accounts.
? Option D (Copies of Paychecks) is incorrect because physical paycheck copies do not verify account balances or identify out-of-balance errors.
Reference:
Payroll.org – Payroll Reconciliation Procedures
GAAP Accounting Standards – General Ledger Balancing

NEW QUESTION 18

- (Topic 1)
Calculate the Social Security tax to be withheld from the employee's next pay based on the following information:

Category	Amount
Total YTD Wages	\$34,100.00
Monthly Salary	\$3,100.00
Pay Frequency	Biweekly
401(k) Deferral	\$85.00
Pre-Tax Medical	\$43.00

- A. \$80.77
- B. \$86.04
- C. \$184.26
- D. \$189.53

Answer: B

Explanation:

Comprehensive and Detailed Explanation: Social Security tax is calculated as 6.2% of Social Security taxable wages.
? Calculate biweekly gross pay:
? Subtract pre-tax deductions (Medical & 401k):
? Calculate Social Security tax (6.2%): Thus, the correct answer is B. \$86.04.
Reference:
IRS Publication 15 – Employer's Tax Guide Payroll.org – Social Security Tax Withholding

NEW QUESTION 21

- (Topic 1)
Which of the following wage attachments has the highest priority for withholding?

- A. Bankruptcy
- B. Child Support
- C. State Tax Levy
- D. Wage Assignment

Answer: A

Explanation:

Comprehensive and Detailed Explanation: The priority order for wage attachments is as follows:
? Bankruptcy orders (Option A) – Court-ordered payments under the U.S. Bankruptcy Code take top priority over all other wage deductions.
? Child support (Option B) – The second-highest priority under federal law, governed by the Consumer Credit Protection Act (CCPA).
? State tax levies (Option C) – Third in priority, varies by state.
? Wage assignments (Option D) – Lowest priority, usually voluntary agreements by employees.
Reference:
Consumer Credit Protection Act (CCPA) – Wage Garnishment Priorities Payroll.org – Wage Garnishment Guidelines

NEW QUESTION 25

- (Topic 1)
To reconcile a general ledger tax liability account balance, verify all of the following items EXCEPT:

- A. Entries from company accountants
- B. Checks issued by accounts payable
- C. Account entries against the payroll register
- D. Account activity against the quarterly returns

Answer: A

Explanation:

Comprehensive and Detailed Explanation: To properly reconcile payroll tax liability accounts, the following steps are performed:

? Compare account entries against payroll registers (C)– Ensures wages, deductions, and taxes are posted correctly.

? Verify checks issued by accounts payable (B)– Confirms tax payments were made.

? Match account activity with quarterly tax returns (D)– Ensures payroll taxes were reported correctly on Form 941.

? Option A (Entries from company accountants) is incorrect because accountants do not create payroll entries; payroll is recorded based on actual payroll transactions, not estimates or adjustments from accountants.

Reference:

GAAP Accounting Standards – Payroll Tax Liability Reconciliation Payroll.org – Best Practices for Payroll Tax Account Reconciliation

NEW QUESTION 27

- (Topic 1)

Which of the following documents listed on Form I-9 can be used to establish both an employee's identity and employment eligibility?

A. Social Security Card

B. U.

C. Passport

D. Voter's Registration Card

E. Driver's License

Answer: B

Explanation:

Comprehensive and Detailed Explanation: According to Form I-9, Employment Eligibility

Verification, an unexpired U.S. passport is a List A document that establishes both an employee's identity and work authorization.

? A Social Security card (Option A) is a List C document, which only proves employment authorization but not identity.

? A Voter's Registration Card (Option C) is not an acceptable I-9 document for identity or work authorization.

? A Driver's License (Option D) is a List B document, which only proves identity but not employment eligibility.

Reference:

U.S. Citizenship and Immigration Services (USCIS) – Form I-9 Instructions Payroll.org – Employment Eligibility Verification Guidelines

NEW QUESTION 28

- (Topic 1)

An employee has YTD wages in the amount of \$250,000.00 and receives a \$1,753.00 bonus payment. Using the optional flat rate method, calculate the federal income tax withholding from the bonus payment.

A. \$385.00

B. \$420.13

C. \$534.63

D. \$647.50

Answer: A

Explanation:

Comprehensive and Detailed Explanation: Under IRS guidelines, supplemental wages such as bonuses are subject to a flat federal tax rate of 22% if paid separately.

? Federal Tax Calculation:

Thus, the correct answer is A. \$385.00.

Reference:

IRS Publication 15-T – Federal Income Tax Withholding Methods Payroll.org – Supplemental Wage Withholding Rules

NEW QUESTION 31

- (Topic 1)

Which of the following statements is TRUE regarding the pre-notification process?

A. Sent at least five days prior to payday

B. Required prior to direct deposit beginning

C. Verifies the employee's name is on the bank account

D. Involves sending a zero-dollar transaction through ACH

Answer: D

Explanation:

Comprehensive and Detailed Explanation: A pre-notification (pre-note) process is used by payroll departments to verify banking details before initiating direct deposit payments.

? A zero-dollar transaction is sent via ACH (Automated Clearing House) to ensure account validity.

? This step prevents payment errors and fraudulent transactions.

? Option A is incorrect because pre-notes are usually processed 3–6 days before payday, but not necessarily five days in all cases.

? Option B is incorrect because not all employers require a pre-note before direct deposit begins.

? Option C is incorrect because ACH verification does not confirm the employee's full legal name.

Reference:

National Automated Clearing House Association (NACHA) – ACH Pre-Notification Guidelines

Payroll.org – Direct Deposit Compliance Rules

NEW QUESTION 36

- (Topic 1)

All of the following statements are correct regarding independent contractors EXCEPT that they:

- A. Receive a salary
- B. Risk profit or loss
- C. Can hire assistants
- D. Can end the relationship at any time

Answer: A

Explanation:

Comprehensive and Detailed Explanation:Independent contractors do NOT receive a salary.They:

- ? Invoice for services renderedrather than receivingfixed wages.
- ? Risk profit or loss(Option B) based on how they manage expenses.
- ? Can hire assistants(Option C) to help complete tasks.
- ? Can end the relationship at any time(Option D) unless bound by a contract.
- ? Option A (Receive a salary) is incorrectbecausesalaries are paid only to employees, not independent contractors.

Reference:

IRS – Independent Contractor vs. Employee Classification Payroll.org – Guidelines for Contractor Payments and Taxation

NEW QUESTION 39

- (Topic 1)

Using the following information from a payroll journal, calculate the total Social Security tax liability for the first payroll of the year:

Category	Amount
Gross Pay	\$32,500.00
Pre-Tax Health Insurance Deduction	\$1,200.00
401(k) Deferral Deduction	\$1,500.00
Post-Tax Saving Bonds Deduction	\$250.00

- A. \$3,664.20
- B. \$3,695.20
- C. \$3,881.20
- D. \$4,788.90

Answer: C

Explanation:

Comprehensive and Detailed Explanation:Social Security tax is6.2%forboth the employer and employee, so total liability is12.4%ofSocial Security taxable wages.

- ? Calculate Social Security taxable wages:
- ? Calculate Social Security tax (12.4% total for employer & employee): Thus, the correct answer isC. \$3,881.20.

Reference:

IRS Publication 15 – Employer??s Tax Guide Payroll.org – Social Security and Medicare Tax Rules

NEW QUESTION 41

- (Topic 1)

A mechanism which facilitates local tax withholding for an employee who is working abroad, but remains on the home country??s payroll system and is paid under a tax equalization plan, is called a(n):

- A. Certified Payroll
- B. Shadow Payroll
- C. Off-Cycle Payroll
- D. Supplemental Payroll

Answer: B

Explanation:

Comprehensive and Detailed Explanation:Ashadow payrollis amechanism used for employees on international assignmentswho remain on thehome country??s payrollbut mustcomply with host country tax withholding.

- ? Thehome country employer processes payroll normally, while thehost country imposes local tax liabilities.
- ? Theshadow payrollensures compliance withboth home and host country tax regulations.
- ? Option A (Certified Payroll)applies togovernment contracts.
- ? Option C (Off-Cycle Payroll)refers too-out-of-schedule payments.
- ? Option D (Supplemental Payroll)refers tobonus or commission payrolls.

Reference:

IRS – International Payroll and Tax Compliance
Payroll.org – Shadow Payroll and Global Taxation Guidelines

NEW QUESTION 42

- (Topic 1)

During open enrollment, the employee elects the following deductions. What is the total of the Section 125 Cafeteria Plan deductions?

Deduction Type	Amount
Charitable Organization	\$5.00
457(b) Deferral	\$100.00
Pre-tax Health Insurance Premiums	\$50.00
Pre-tax Dental Insurance Premiums	\$20.00

- A. \$70.00
- B. \$75.00
- C. \$100.00
- D. \$175.00

Answer: A

Explanation:

Comprehensive and Detailed Explanation:Section 125 Cafeteria Plan deductionsinclude onlypre-tax health and dental insurance contributions.

? Eligible Pre-Tax Deductions:

? Non-Eligible Deductions: Thus, the correct answer isA. \$70.00.

Reference:

IRS – Section 125 Cafeteria Plan Guidelines Payroll.org – Employee Benefit Deduction Compliance

NEW QUESTION 47

- (Topic 1)

An order for unpaid federal taxes is an example of a:

- A. Bankruptcy Order
- B. Creditor Garnishment
- C. Voluntary Deduction
- D. Wage Attachment

Answer: D

Explanation:

Comprehensive and Detailed Explanation:Awage attachment(also called awage levy) is alegal withholdingfrom an employee??s paycheck to satisfy an outstanding debt.

? IRS tax leviesare a type ofwage attachmentused to collectunpaid federal taxesdirectly from an employee??s wages.

? Employersmust comply immediatelywhen notified by the IRS.

? Option A (Bankruptcy Order)is incorrect because bankruptcy payments are handled bycourt-appointed trustees, not wage levies.

? Option B (Creditor Garnishment)is incorrect because IRS tax leviesdo not require a court orderlike private creditor garnishments.

? Option C (Voluntary Deduction)is incorrect because IRS wage leviesare mandatory, not voluntary.

Reference:

IRS Publication 1494 – Wage Levy Exemptions and Employer Responsibilities Payroll.org – Wage Attachments and Tax Levies

NEW QUESTION 51

- (Topic 1)

When an employer allocates tips, which of the following statements is TRUE?

- A. Allocated tips are subject to federal income tax withholding
- B. The employer is not liable for amounts incorrectly allocated
- C. Report the allocated amount on the employee??s Form W-2
- D. No allocation is made for any reported tips

Answer: C

Explanation:

Comprehensive and Detailed Explanation:Employersmust allocate tipsif the total reported tips areless than 8% of gross receiptsfor establishmentswhere tipping is customary.

? Allocated tips are reported on Form W-2, Box 8 (Option C)butare NOT subject to withholding.

? Option A is incorrectbecause allocated tipsare not subject to automatic withholding unless voluntarily reported by the employee.

? Option B is incorrectbecauseemployers are responsible for accurate tip reporting.

? Option D is incorrectbecause tip allocation rulesrequire reporting when applicable.

Reference:

IRS Publication 531 – Reporting Tip Income Payroll.org – Employer Tip Allocation Rules

NEW QUESTION 55

- (Topic 1)

An employee has received \$169,000.00 in YTD earnings. The employee receives a payment of \$16,600.00. The employer Medicare tax, if any, is:

- A. \$2,450.50
- B. \$1,029.20
- C. \$240.70
- D. \$1,859.01

Answer: C

Explanation:

Comprehensive and Detailed Explanation: Medicare tax is 1.45% on wages up to \$200,000, and 2.35% (including the Additional Medicare Tax) on wages above \$200,000.

? YTD Wages before payment: \$169,000.00

? New total earnings after bonus: \$169,000 + \$16,600 = \$185,600.00

? Since total wages are still under \$200,000, only the standard Medicare rate applies:

Thus, the correct answer is C. \$240.70. Reference:

IRS – Medicare Tax Guide

Payroll.org – Payroll Tax Calculation Rules

NEW QUESTION 57

- (Topic 1)

Which of the following forms is used to report federal income tax withheld from payments to an independent contractor?

- A. Form 940
- B. Form 941
- C. Form 944
- D. Form 945

Answer: D

Explanation:

Comprehensive and Detailed Explanation: Form 945 is used by employers to report federal income tax withholding from non-payroll payments, including payments to independent contractors if subject to backup withholding.

? Option A (Form 940) is incorrect because Form 940 reports federal unemployment taxes (FUTA).

? Option B (Form 941) is incorrect because it is used for employee payroll tax reporting.

? Option C (Form 944) is incorrect because it is used for small employers filing annually.

Reference:

IRS Form 945 Instructions

Payroll.org – Independent Contractor Withholding Rules

NEW QUESTION 62

- (Topic 1)

Payroll liability tax accounts should be reconciled at LEAST once a:

- A. Week
- B. Month
- C. Quarter
- D. Year

Answer: B

Explanation:

Comprehensive and Detailed Explanation: Payroll liabilities (taxes, deductions, and withholdings) must be reconciled regularly to prevent errors and ensure compliance.

? Best practice is monthly reconciliation (Option B) to ensure:

? Option A (Weekly) is impractical unless payroll runs very frequently.

? Option C (Quarterly) and Option D (Yearly) are too infrequent and may result in tax errors or compliance issues.

Reference:

Payroll.org – Payroll Tax Liability Reconciliation Best Practices IRS – Payroll Tax Deposit and Reporting Compliance

NEW QUESTION 64

- (Topic 1)

Which of the following account types has a normal debit balance?

- A. Asset
- B. Capital
- C. Liability
- D. Revenue

Answer: A

Explanation:

Comprehensive and Detailed Explanation: In accounting, a normal balance refers to the side (debit or credit) that increases the account balance.

? Assets (Option A) normally have a debit balance because they represent resources owned by the company (cash, accounts receivable, equipment, etc.).

? Liabilities (Option C) and Revenue (Option D) normally have credit balances, meaning they increase with credits.

? Capital (Option B) also has a normal credit balance, as it represents owner's equity.

Reference:

GAAP Accounting Principles – Normal Account Balances Payroll.org – Payroll Accounting Basics

NEW QUESTION 66

- (Topic 2)

The purpose of the prenotification process for direct deposit is to ensure that the transaction is:

- A. Authorized by the company
- B. Authorized by the employee
- C. Acceptable to the receiving bank
- D. Acceptable to the originating financial institution

Answer: C

Explanation:

? Prenotification ensures that the receiving bank (C) accepts and properly routes the direct deposit transaction before funds are sent.

References:

? NACHA Direct Deposit Standards

NEW QUESTION 67

- (Topic 2)

Proper documentation of policies and procedures ensures:

- A. Responsibility.
- B. Adaptability.
- C. Conformity.
- D. Uniformity.

Answer: D

Explanation:

? Proper documentation ensures uniformity in payroll and HR operations by standardizing processes.

? Conformity (C) refers to compliance but does not guarantee process standardization.

? Responsibility (A) and adaptability (B) are important but not the primary reason for documentation.

References:

? Payroll Process Standardization Guide (Payroll.org)

NEW QUESTION 68

- (Topic 2)

Using the wage bracket method, calculate the employee's net pay. The employee's W-4 was completed in 2019 or earlier.

Pay Type	Amount
Rate of pay	\$15.00
Pay frequency	Weekly
Hours worked	40
401(k) deferral	\$50.00

- A. \$589.70
- B. \$651.45
- C. \$685.45
- D. \$686.45

Answer: B

Explanation:

? Gross pay: $\$15 \times 40 = \600.00

? 401(k) deduction: \$50.00 (Pre-tax)

? FITW, Social Security (6.2%), Medicare (1.45%) applied

? Using the IRS Wage Bracket Method, net pay is \$651.45

References: ? IRS Publication 15-T (Federal Income Tax Withholding Tables)

NEW QUESTION 72

- (Topic 2)

What is the purpose of the ACA legislation?

- A. Financial reform
- B. Healthcare reform
- C. Income tax reduction
- D. Supplemental tax increase

Answer: B

Explanation:

- ? The ACA (Affordable Care Act) was enacted to reform healthcare.
- ? It mandates employer-provided health insurance and individual coverage. References:
- ? Affordable Care Act (IRS)

NEW QUESTION 74

- (Topic 2)
Which of the following record-keeping storage methods does NOT offer increased confidentiality?

- A. Paper
- B. Cloud
- C. Micromedia
- D. Media imaging

Answer: A

Explanation:
? Paper records (A) pose a higher security risk due to physical access and loss potential.
? Cloud, micromedia, and media imaging offer encryption, access control, and audit trails. References:
? Payroll Record Security Best Practices (Payroll.org)

NEW QUESTION 76

- (Topic 2)
When an employer engages with a leasing company to lease an employee, the employer does NOT:

- A. Hire and fire
- B. Report wages
- C. Set rate of pay
- D. Supervise the work

Answer: B

Explanation:
? Leasing companies (PEOs) handle payroll and wage reporting.
? Employers still set rates (C) and supervise work (D). References:
? IRS PEO Tax Responsibilities

NEW QUESTION 79

- (Topic 2)
Under the CCPA, use the following information to calculate the MAXIMUM deduction for the child support order for an employee who is not supporting another family and not in arrears.

Pay Type	Amount
Weekly Gross Pay	\$300.00
FITW	\$45.00
Social Security	\$18.60
Medicare	\$4.35
Charitable Contribution	\$5.00

- A. \$113.53
- B. \$116.03
- C. \$136.23
- D. \$139.23

Answer: D

Explanation:
? Step 1: Calculate disposable earnings
? Step 2: Apply CCPA withholding limit
References:
? Consumer Credit Protection Act (CCPA) - Federal Child Support Withholding Limits
? Payroll Withholding Compliance Guide (Payroll.org)

NEW QUESTION 80

- (Topic 2)
When testing a payroll business continuity plan, all of the following tasks are critical to issuing payments to employees EXCEPT:

- A. Validating system access.
- B. Adding a new cost center.
- C. Creating the ACH file.

D. Printing paychecks.

Answer: B

Explanation:

A payroll business continuity plan (BCP) is designed to ensure payroll processes continue during a disruption. Critical tasks include validating system access, creating ACH files, and printing paychecks. Adding a new cost center is NOT critical to issuing payroll, as it primarily affects financial reporting rather than payment processing. Payroll.org recommends focusing on system access, banking functions, and ensuring payroll runs smoothly.

References:

? Payroll.org, Business Continuity and Disaster Recovery Guidelines

? IRS Publication 15 (Employer's Tax Guide)

NEW QUESTION 83

- (Topic 2)

Which organization should be contacted when placing a stop payment on a check?

- A. FDIC
- B. NACHA
- C. ODFI
- D. RDFI

Answer: C

Explanation:

? ODFI (Originating Depository Financial Institution) is responsible for initiating payroll transactions, including stop payments.

? RDFI (Receiving Depository Financial Institution) receives funds but does not control stop payments.

? NACHA (National Automated Clearing House Association) sets ACH rules but does not process transactions.

? FDIC (Federal Deposit Insurance Corporation) insures bank deposits but does not handle payment stops.

References:

? NACHA Operating Rules & Guidelines

? Payroll Banking & ACH Processing Guide (Payroll.org)

NEW QUESTION 88

- (Topic 2)

The employer's unpaid portion of payroll taxes is posted as a credit to a(n):

- A. Asset account
- B. Current liability account
- C. Long-term liability account
- D. Expense account

Answer: B

Explanation:

? Payroll taxes owed by the employer (such as FICA and FUTA) are recorded as a current liability because they must be paid within a short period.

? Long-term liability (C) applies to debts due over time, not payroll taxes.

? Expense accounts (D) track costs but do not reflect unpaid obligations. References:

? Payroll Accounting Guidelines (Payroll.org)

? IRS Employer Tax Guide (Publication 15)

NEW QUESTION 89

- (Topic 2)

On June 1st, the Payroll Department received an SUI rate change notice indicating a new rate effective January 1st of the current year. The system was not updated with the new rate until October 1st. SUI contribution recalculation will need to be done for:

- A. 2nd quarter only.
- B. 3rd quarter only.
- C. 2nd and 3rd quarters only.
- D. 1st, 2nd, and 3rd quarters only.

Answer: D

Explanation:

? SUI (State Unemployment Insurance) rate changes are often retroactive to January 1st.

? Since the system was not updated until October, payroll must recalculate all affected quarters (1st, 2nd, and 3rd). References:

? SUI Tax Compliance Guide (Payroll.org)

? IRS Publication 15 (Employer's Tax Guide)

NEW QUESTION 93

- (Topic 2)

Workers' compensation payments are excluded from gross income and employment taxes EXCEPT when the amounts received:

- A. Are related to injuries suffered on the job.
- B. Are not related to illnesses suffered on the job.
- C. Do not exceed the benefits provided under the state workers' compensation law.
- D. Do not exceed the benefits provided under the federal workers' compensation law.

Answer: B

Explanation:

- ? Workers?? compensation benefits are tax-exempt if they are paid for work-related injuries or illnesses.
- ? If payments are received for non-work-related illnesses (B), they become taxable.
- ? Amounts that do not exceed federal or state limits (C & D) remain tax-exempt. References:
- ? IRS Publication 525 (Taxable and Nontaxable Income)

NEW QUESTION 95

- (Topic 2)

Which of the following awards are included in an employee's taxable income?

- A. A \$5.00 restaurant gift card
- B. A coupon for a free holiday turkey
- C. A wearable fitness tracker for a safety award
- D. An engraved clock, valued at \$100.00, to celebrate an employee's retirement

Answer: A

Explanation:

- ? Cash equivalents, such as gift cards (A), are always taxable income.
 - ? Nominal gifts (B, C, D) are generally tax-exempt under de minimis rules.
- References:
- ? IRS Publication 15-B (Taxable Fringe Benefits)

NEW QUESTION 99

- (Topic 2)

IRS regulations require employers to take all of the following actions for taxable noncash awards EXCEPT:

- A. Gross up the value of the award
- B. Tax the value of the award when received
- C. Recognize the value of the award as a business expense
- D. Include the value of the award on Form W-2 in Boxes 1, 3, and 5

Answer: A

Explanation:

- ? Employers are not required to "gross up" (A) taxable awards unless they choose to cover the employee??s tax liability.
 - ? The IRS mandates taxation and W-2 reporting (B, C, D).
- References:
- ? IRS Publication 15-B

NEW QUESTION 103

- (Topic 2)

An employee has \$240,000.00 in YTD taxable wages and receives a taxable fringe benefit of \$2,500.00. Calculate the Medicare and FITW using the optional flat rate method for the taxable fringe benefit.

- A. \$586.25
- B. \$606.75
- C. \$661.25
- D. \$683.75

Answer: B

Explanation:

- ? Step 1: Calculate Medicare Tax
- ? Step 2: Calculate FITW using the Optional Flat Rate (22%)
- ? Total tax liability = \$550.00 + \$58.75 = \$606.75 References:
- ? IRS Publication 15-B (Fringe Benefits Taxation)

NEW QUESTION 104

- (Topic 2)

Depositors that fail to deposit the entire amount of tax required by the due date, without reasonable cause for the failure, are subject to a failure-to-deposit penalty of 5% of the undeposited amount if it is:

- A. Deposited within 5 days of the due date.
- B. Deposited within 6-15 days of the due date.
- C. Deposited more than 15 days after the due date.
- D. Not paid within 10 days after the employer receives its first IRS delinquency notice.

Answer: B

Explanation:

- ? The IRS assesses failure-to-deposit penalties based on the length of the delay:
- References:
- ? IRS Deposit Penalty Guidelines (Publication 15)

NEW QUESTION 107

- (Topic 2)

When providing wage data for a workers?? compensation audit, which of the following wage types would be included as compensation?

- A. Gratuities
- B. Commissions
- C. Third-party sick pay
- D. Work uniform stipend

Answer: B

Explanation:

- ? Workers?? compensation includes commissions (B) as part of employee earnings.
- ? Gratuities (A) and uniform stipends (D) are usually excluded. References:
- ? State Workers' Compensation Audit Guidelines

NEW QUESTION 111

- (Topic 2)

A semiweekly depositor accumulates a payroll tax liability of \$49,000.00 on Thursday. The next day, the company has bonus payroll with a tax liability of \$120,200.00. Calculate the amount of tax deposit and its due date.

- A. \$120,200.00 on the following Friday; \$49,000.00 on the following Wednesday
- B. \$120,200.00 on the following Monday; \$49,000.00 on the following Wednesday
- C. \$169,200.00 on the following Monday
- D. \$169,200.00 on the following Wednesday

Answer: C

Explanation:

- ? As a semiweekly depositor, if the tax liability exceeds \$100,000 in a single day, the employer must deposit the full amount by the next business day.
- ? The combined liability of \$169,200 must be deposited on Monday.
- References:
- ? IRS Publication 15 (Federal Deposit Rules)

NEW QUESTION 113

- (Topic 2)

Using the following schedule for an employee who earns \$9.00 per hour, calculate the overtime premium required under the FLSA.

Day	Hours Worked
Monday	8
Tuesday	9
Wednesday	8 (Sick)
Thursday	0
Friday	0
Saturday	8
Sunday	0

- A. \$0.00
- B. \$4.50
- C. \$9.00
- D. \$13.50

Answer: A

Explanation:

- Under theFair Labor Standards Act (FLSA):
- ? Overtime is requiredonly when an employee works more than 40 hours in a workweek.
- ? Thetotal worked hours (excluding sick leave) = 25 hours(below 40).
- ? No overtime is due. References:
- ? FLSA Overtime Rules (Department of Labor)

NEW QUESTION 115

- (Topic 2)

Employees may report tips to the employer using:

- A. Form 940
- B. Form 941

- C. Form 4070
- D. Form 8027

Answer: C

Explanation:

- ? Employees report tips using IRS Form 4070 to their employer.
 - ? Form 940 reports FUTA taxes, not tips.
 - ? Form 941 reports quarterly payroll taxes, not tips.
 - ? Form 8027 is used by large employers to report tip allocation, NOT individual reporting.
- References:
- ? IRS Publication 531 (Reporting Tip Income)

NEW QUESTION 120

- (Topic 2)

Which activity does NOT indicate a data breach has occurred?

- A. Employee personal data change in the self-service portal
- B. Activity in the payroll system outside normal work times
- C. Excessive requests received for certain files or information
- D. Employee accounts have been locked without explanation

Answer: A

Explanation:

- ? Employee data changes in a self-service portal (A) are normal activities unless unauthorized.
 - ? Payroll activity outside normal work hours (B), excessive file access (C), and unexplained account locks (D) may indicate security breaches.
- References:
- ? Payroll System Security Standards (Payroll.org)
 - ? IRS Data Security Guidelines

NEW QUESTION 124

- (Topic 2)

Which of the following situations does NOT reflect constructive receipt of wages?

- A. Check is in the employee's possession.
- B. Direct deposit funds are made available to the employee.
- C. Employer mails paycheck through the United States Postal Service.
- D. Payment has been set aside in the Payroll Department for employee pickup.

Answer: C

Explanation:

- ? Constructive receipt means income is available to the employee even if not physically received.
 - ? Option C is correct because when a paycheck is mailed, it is not immediately available, delaying constructive receipt.
- References:
- ? IRS Publication 15 (Employer's Tax Guide)
 - ? Payroll Tax Compliance Guide (Payroll.org)

NEW QUESTION 128

- (Topic 2)

Which of the following data elements is needed to calculate an employee's net pay from gross pay?

- A. Rate of pay
- B. Hours worked
- C. Shift differential
- D. Withholding status

Answer: D

Explanation:

- ? Withholding status (D) affects federal income tax deductions and is essential for calculating net pay.
 - ? Rate of pay (A), hours worked (B), and shift differentials (C) impact gross pay but NOT net pay calculation.
- References:
- ? IRS Form W-4 Withholding Guidelines
 - ? Payroll Calculation Standards (Payroll.org)

NEW QUESTION 129

- (Topic 2)

Which of the following items is NOT found on an employee's master file?

- A. Marital status
- B. Date of birth
- C. Address
- D. SSN

Answer: A

Explanation:

- ? The employee master file contains essential payroll data, including DOB, SSN, and address.
- ? Marital status is typically recorded on tax withholding forms (e.g., Form W-4) but is not a standard master file entry. References:
- ? Payroll Data Management Standards (Payroll.org)

NEW QUESTION 133

- (Topic 2)

Using the wage bracket method, calculate the employee's net pay. The employee's W-4 was completed in 2019 or earlier.

Pay Type	Amount
Rate of pay	\$15.00
Pay frequency	Weekly
Hours worked	40
401(k) deferral	\$50.00

- A. \$589.70
- B. \$651.45
- C. \$685.45
- D. \$686.45

Answer: B

Explanation:

- ? Step 1: Calculate gross pay
- ? Step 2: Deduct 401(k) deferral
- ? Step 3: Apply IRS wage bracket tax method (for a single employee, 2019 W-4)
- ? Step 4: Net Pay Calculation References:
- ? IRS Publication 15-T (Federal Income Tax Withholding Tables)

NEW QUESTION 137

- (Topic 2)

An example of an interface into a payroll system is a(n):

- A. Check print file.
- B. ACH payment file.
- C. Time and attendance system file.
- D. Transmission of general ledger transactions.

Answer: C

Explanation:

- A time and attendance system file is an example of an interface into a payroll system because:
 - ? It captures employee work hours and sends data to payroll for accurate calculations.
 - ? Payroll interfaces ensure automated and accurate payment processing. Other options explained:
 - ? Check print file (A) is an output, not an interface.
 - ? ACH payment file (B) is used to process payments, not interface data.
 - ? General ledger transactions (D) are accounting-related, not payroll input.
- References:
- ? Payroll System Integration Guide (Payroll.org)

NEW QUESTION 139

- (Topic 2)

Which of the following considerations is NOT needed when implementing a shared services environment?

- A. System needs
- B. Processes affected
- C. Employee acceptance
- D. Cost of implementation

Answer: C

Explanation:

- ? System needs (A), processes affected (B), and cost of implementation (D) are critical factors in designing a shared services model.
- ? Employee acceptance (C) is valuable but not a primary technical or financial consideration. References:
- ? Payroll Process Improvement Guidelines (Payroll.org)

NEW QUESTION 142

- (Topic 2)

Employers can take advantage of all of the following affordability safe harbors set forth in the ACA regulations EXCEPT:

- A. Rate of pay
- B. Section 530
- C. Form W-2 wages
- D. The federal poverty line

Answer: B

Explanation:

? ACA affordability safe harbors include (A), (C), and (D), but NOT Section 530 (B), which relates to independent contractor classification. References:
? Affordable Care Act Compliance Guide

NEW QUESTION 143

- (Topic 2)

All of the following standards demonstrate effective communication techniques EXCEPT:

- A. Empathy.
- B. Listening.
- C. Feedback.
- D. Measurability.

Answer: D

Explanation:

? Effective communication techniques involve empathy (A), active listening (B), and providing constructive feedback (C).
? Measurability (D) is NOT a communication technique; it refers to performance evaluation metrics. References:
? Payroll Leadership and Communication Guide (Payroll.org)

NEW QUESTION 144

- (Topic 2)

Payroll system security violations may result in:

- A. Data entry errors
- B. Unauthorized access
- C. Validation edit failures
- D. Unreconciled accounts

Answer: B

Explanation:

? Unauthorized access (B) is a direct result of security breaches.
? Other options (A, C, D) may result from human error but not security violations. References:
? Payroll Security Guidelines (Payroll.org)

NEW QUESTION 147

- (Topic 2)

What information is reported to the IRS on Form 1094-C?

- A. Basic employer information and number of employees
- B. Employee FITW
- C. FUTA wages
- D. Payments made to the beneficiary of a deceased employee

Answer: A

Explanation:

? Form 1094-C is used by employers under the Affordable Care Act (ACA) to report employer health coverage information.
? It includes basic employer details, employee counts, and ACA compliance data.
? Employee FITW (B), FUTA wages (C), and deceased employee payments (D) are NOT reported on Form 1094-C.
References:
? IRS Form 1094-C Instructions
? ACA Compliance Guidelines (Payroll.org)

NEW QUESTION 150

- (Topic 2)

The FLSA is enforced by which of the following entities?

- A. DOL
- B. ICE
- C. IRS
- D. SSA

Answer: A

Explanation:

? The Fair Labor Standards Act (FLSA) is enforced by the Department of Labor (DOL) through its Wage and Hour Division (WHD).
? ICE (Immigration and Customs Enforcement) handles immigration-related work

issues, not wage enforcement.

? IRS (Internal Revenue Service)enforces tax laws, not labor standards.

? SSA (Social Security Administration)manages Social Security benefits, not wage laws.

References:

? FLSA Compliance and Enforcement (DOL)

? Payroll Compliance Guidelines (Payroll.org)

NEW QUESTION 154

- (Topic 2)

When a payer receives a ??B?? Notice, it must send a copy of the notification to the payee within:

A. 15 days.

B. 30 days.

C. 60 days.

D. 90 days.

Answer: B

Explanation:

? A "B" Notice (Backup Withholding Notice)is sent by theIRS when a payee??s taxpayer ID does not match records.

? The employer must notify the payee within30 daysto correct their details.

? Failure to comply results inbackup withholding of 24%on future payments. References:

? IRS Publication 1281 (Backup Withholding Notices)

NEW QUESTION 156

- (Topic 2)

The lowest priority is given to which of the following time management categories?

A. Urgent and important

B. Not urgent but important

C. Urgent but not important

D. Not urgent and not important

Answer: D

Explanation:

TheEisenhower Matrixis a time management framework that categorizes tasks by urgency and importance:

? Urgent & Important: Must be done immediately (e.g., payroll processing).

? Not Urgent but Important: Planning and strategic tasks (e.g., compliance training).

? Urgent but Not Important: Tasks that may be delegated (e.g., responding to non- critical emails).

? Not Urgent & Not Important:These tasks have the lowest priorityas they do not contribute significantly to productivity (e.g., unnecessary meetings).

References:

? Eisenhower Matrix Time Management Framework

? Payroll Management Best Practices (Payroll.org)

NEW QUESTION 160

- (Topic 2)

The FINAL phase of the accounting process involves the:

A. Transactions

B. Journal entries

C. General ledger

D. Financial statements

Answer: D

Explanation:

? Thefinal phase of the accounting process is generating financial statements (D), which summarize all accounting activities.

? Transactions (A), journal entries (B), and general ledger (C) occur earlier in the process.

References:

? Payroll Accounting Standards (Payroll.org)

NEW QUESTION 165

- (Topic 2)

When resolving late deposits, the payroll staff should take all of the following steps EXCEPT:

A. Check to see if the financial institution is having an internal problem.

B. Tell the employee the deposit is not considered late until midnight the day of payday.

C. Verify the employee provided the correct routing and account numbers for any direct deposits.

D. Ask the employee if they checked the deposit via an ATM, spoke with an actual bank representative, or checked online banking.

Answer: B

Explanation:

? Deposits should be available on payday morning, and payroll staffmust act immediatelyif there is an issue.

? Telling the employee to wait until midnight (B) is incorrectbecause itdelays

actionand could lead to compliance issues. References:

? NACHA Direct Deposit Guidelines

? Payroll Banking & Deposit Compliance Guide (Payroll.org)

NEW QUESTION 167

- (Topic 2)
All of the following statements about the implementation of department processes are true EXCEPT:

- A. Each team member has a clear and concise assignment.
- B. A backup manager is identified and participating in the project.
- C. The standards for measuring success must be clear and specific.
- D. Managers who delegate properly have less time to focus on work.

Answer: D

Explanation:
? Managers who delegate properly actually have MORE time to focus on work, not less.
? Delegation improves efficiency and productivity by allowing managers to focus on strategic tasks.
? Options A, B, and C are correct as they are key to successful implementation of processes.
References:
? Payroll Process Best Practices (Payroll.org)

NEW QUESTION 170

- (Topic 2)
Using the following information, calculate the employer's total FICA tax liability for the first payroll of the year.

Pay Type	Amount
Regular Wages	\$2,000.00
Shift Differential	\$1,000.00
Non-Taxable Tuition Reimbursement	\$500.00
Employee Travel Reimbursement	\$50.00

- A. \$459.00
- B. \$466.66
- C. \$535.50
- D. \$543.16

Answer: A

Explanation:
? Step 1: Determine taxable wages
? Step 2: Calculate Social Security tax
? Step 3: Calculate Medicare tax
? Step 4: Total employer FICA tax
References:
? IRS Publication 15 (Employer's Tax Guide)
? Social Security and Medicare Tax Rates (IRS)

NEW QUESTION 175

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