

- 1 Prior to affiliating with Radar Chemicals, Rebecca, a chemical engineer, signed a contract stating that she agreed to work as an independent contractor, Rebecca performs all duties in Radar's laboratories, where she has full access to the company's testing equipment. She works under their direction and maintains regular office hours.
 - a) Rebecca is an independent contractor under common law,
 - b) Rebecca is an independent contractor under the reasonable basis tests,
 - c) Rebecca is an employee.
- 2 Cory, a high-school dropout, is functionally illiterate. As a nonexempt assembly-line worker, he earns \$7.25 per hour. Last week, Corey worked 40 hours, and he attended 4 hours of remedial education required by his employer to improve his basic reading and math skills. Calculate his gross wages for the week.
 - a) \$319.00
 - b) \$333.50
 - c) \$240.00
- 3 Payroll must withhold federal income tax from:
 - a) Contributions to 401(k) plans.
 - b) Contributions to 457 plans.
 - c) Contributions to nonqualified deferred compensation plans.
 - d) Executive cash bonuses.
- 4 Ben, a computer operator, was in a car accident that disabled him for five months. The company continued to pay Ben his regular salary for 90 days. After 90 days, Ben began receiving disability pay from a third-party carrier in lieu of salary. Ben's employer pays 100% of the premium for his disability plan. Which of the following is true?
 - a) The third-party carrier must withhold social security, Medicare tax, and federal income tax from Ben's disability pay.
 - b) The employer must withhold only social security and Medicare tax from Ben's salary during the first 90 days.
 - c) Normally, the third-party carrier will withhold social security and Medicare tax from Ben's disability pay and the employer will match this amount.
 - d) No withholding is required from third-party sick pay.
- 5 For which of the following areas does UIFSA provide clarification?
 - a) Federal tax levy exempt amounts.
 - b) Circumstances under which automatic withholding of support payments can be applied
 - c) The definition of disposable earnings for the purpose of child support payments
 - d) Rules for processing out-of-state wage withholding orders
- 6 Under what circumstances could an employer be required to make daily deposits?
 - a) If their accumulated tax liability is \$100,000 or more
 - b) If their accumulated tax deposits are \$100,000 or more
 - c) This is not required under the law.
- 7 Which act first established separate wage limits for social security and Medicare tax?
 - a) Omnibus Budget Reconciliation Act of 1990
 - b) Omnibus Budget Reconciliation Act of 1989
 - c) TAMRA, '88
 - d) Omnibus Budget Reconciliation Act of 1987
- 8 Are firms required to match employee contributions to 401(k) plans?
 - a) Yes
 - b) No

- 9 Where would you find payroll accruals on the balance sheet?
- a) Current assets
 - b) Current liabilities
 - c) Current expenses
 - d) Non-operating expense
- 10 Larry goes to the payroll department to ask a question about his paycheck. When he arrives, no one is at their desk, files are open, desk tops are covered with paper, and the floor has stacks of reports askew. Which customer service principle could be improved?
- a) Reliability
 - b) Responsiveness
 - c) Assurance
 - d) Empathy
 - e) Tangibles
- 11 Jack's coworkers know that he's the right person to include in discussions about new ideas for the department. He always comes up with good questions about how a new idea will affect people in the department and in other departments. Jack's communication style tends toward:
- a) Assertive.
 - b) Expressive.
 - c) Introspective.
 - d) Supportive.
- 12 Roger, a retired safety inspector for Rocco Manufacturing, has hired back as a consultant when Rocco expanded its plant operations. Roger was a natural choice. The tasks he undertook as a consultant were the same as the ones he performed before retirement. Paid monthly, he has agreed to work under the direction of his old boss until the new plant facilities are full operation.
- a) Roger is an independent contractor under common law,
 - b) Roger is an independent contractor under the reasonable basis tests,
 - c) Roger is an employee.
- 13 Craig, a state highway patrol officer, is paid for a 14-consecutive-day work period. During one work period, Craig worked 46 hours the first week and 50 hours the second week. Craig is paid \$12.50 per hour and is not allowed to accumulate compensatory time. Which is the correct amount of gross pay?
- a) \$1,262.50
 - b) \$1,200.00
 - c) \$1,300.00
 - d) None of the above
- 14 On a typical business day, Kris's Kountry Kitchen, a local supper club, employs 10 full-time wait persons, three bartenders, five cooks, and a variety of part-time staff. The employees report tips totaling approximately 7% of the gross receipts. Which of the following statements is true?
- a) Kountry Kitchen must allocate 8% of their gross receipts as tips.
 - b) Kountry Kitchen must withhold federal income tax on allocated tips..
 - c) Kountry Kitchen need not withhold social security or Medicare tax on allocated tips.
 - d) Kountry Kitchen is not required to allocate tips.
- 15 On December 31, Industrial Insurance, Inc., had \$500,000 in current assets, \$5 million in intermediate-term assets, and \$1.5 million in fixed assets. Its total liabilities were \$2 million. Its revenues were \$1 million, and expenses were \$500,000. What is its net worth?
- \$_____

Use the following information to answer the next two questions.

Brad was disabled for nine months. He received \$600 per month in disability payments from a third party insurer. Brad's employer paid 75% of the cost of the \$30 monthly premiums; Brad paid the other 25% through after-tax payroll deduction.

- 16 How much of Brad's total payments is subject to social security and Medicare tax withholding?
None of it
a) \$5,400.00
b) \$3,600.00
c) \$2,700.00
- 17 How much of Brad's total payments must be reported as federal income tax wages on his Form W-2?
a) \$5,400.00
b) \$4,050.00
c) \$3,600.00
d) \$2,700.00
- 18 Ursula received membership in a country club from her company. Urban, who works for the same employer, drives a company-owned car for both business and personal use. The company's fiscal year is the same as the calendar year. Which of the following statements is true?
a) If the company uses the special accounting rule for company uses benefits, it must also use it for Urban's.
b) Taxes on these fringes are due quarterly along with the company's Form 941.
c) The company can follow a November 1 to October 31 tax year when accounting for these benefits.
- 19 Emily, age 15, takes a part-time job with Edgewood Elite. Which of the following statements about the child labor provisions of the FLSA fit Emily's situation?
a) During school time, she cannot work more than three hours per day.
b) In June, she cannot work after 7:00 p.m.
c) During the summer months, she can work from 7:00 a.m. to 9:00 p.m.
d) There are no restriction on her employment in a nonhazardous job.
- 20 Lora changed her United Way deduction. For two pay periods, the amount deducted was correct, but for the following period the amount doubled. When Lora called the payroll department, the payroll coordinator told her that the situation would be corrected and gave her the option of having the amount added to her next check or receiving a special check for the amount. Which customer service principle is being displayed here?
a) Reliability
b) Responsiveness
c) Assurance
d) Empathy
e) Tangibles
- 21 Rachel, a keyboard operator, has agreed to work afternoons at Rapid Office Supply until they can find a full-time replacement.
a) Rachel is an independent contractor under common law,
b) Rachel is an independent contractor under the reasonable basis tests,
c) Rachel is an employee.
- 22 Your firm contracted with Sarah, a free-lance photographer, to take publicity shots at your annual meeting. her bill was \$1200; she did not include a Taxpayer Identification Number. How much be withheld from her remuneration?
\$_____

- 23 Cindy, a pieceworker, worked 50 hours last week. She earned \$338 at piece rates for 45 hours and was paid \$36.25 for five hours of waiting time. What is her total weekly compensation?
- a) \$375.55
 - b) \$411.75
 - c) \$371.80
- 24 Which plan is specifically set up for government employees?
- a) 401(k) plan
 - b) 457 plan
 - c) 403(b) plan
 - d) Either a or b
- 25 Beverly's company allows each employee 10 paid days per year which can be used for sick days, for doctor appointments, to cover family emergencies, or even for "mental health" days. Days that are not used can be carried forward. Last week, Bev was out all week with the flu. What taxes should be withheld from her weekly pay?
- a) Federal income tax
 - b) Social security and Medicare tax
 - c) Both a and b
 - d) Neither a nor b
- 26 Ellensburg Engineering has 20 employees. The three top managers of the firm earn \$10,000, \$7,500, and \$5,000 per month. Its ten engineers are paid \$3,000 per month. The remaining employees, all support staff, are paid \$1,400 per month. Calculate its FUTA deposit for the first quarter. (Assume the state receives a full credit reduction.)
- \$_____
- 27 At the beginning of the second quarter, Ellensburg Engineering hires an additional engineer at a monthly salary of \$3,300. What is its second quarter FUTA deposit?
- \$_____
- 28 When is its first-quarter FUTA deposit due?
- a) April 15th
 - b) April 30th
 - c) May 30th
 - d) It may be carried forward and deposited with the second-quarter payment.
- 29 No new staff are added until the fourth quarter, when Ellensburg engineering hires an office manager on December 1 at a monthly salary of \$2,000. One of its engineers, with the firm for over 10 years, retires on December 3. On December 31, Ellensburg Engineering learns that its FUTA credit is reduced by .4%. What is its fourth quarter deposit?
- \$_____
- 30 Elisabeth works for an employer with 55 employees in one location. She applies for leave to care for a sick parent. Which of the following would her employer be expected to do under the Family and Medical Leave Act (FMLA)?
- a) Deny the request for leave, since the FMLA would not apply to a firm of this size.
 - b) Provide two weeks of paid leave and 10 weeks of unpaid leave.
 - c) Provide up to 12 weeks of unpaid leave but no continuation of health insurance.
 - d) Provide up to 12 weeks of unpaid leave and continuation of health insurance.

- 31 Taxes withheld but not yet paid will appear on the:
- a) Balance sheet as a liability.
 - b) Income statement as part of cost of goods.
 - c) Balance sheet as a prepaid liability.
 - d) Income statement as a general expense.
- 32 Lisa, a plant supervisor, met with the payroll department to schedule a special pay run to accommodate the shutdown for the holidays. After payroll committed to a date, they realized that to meet this deadline would require working on a weekend. Which customer service principle will be compromised if the deadline is not met?
- a) Reliability
 - b) Responsiveness
 - c) Assurance
 - d) Empathy
 - e) Tangibles
- 33 Which of the following would be considered an independent contractor?
- a) A full-time life insurance agent
 - b) A lawyer hired on a project-by-project basis, with the company providing secretarial service and office space for the lawyer
 - c) A lecturer who is paid a percentage of the money collected at fund raisers when he speaks on behalf of a nonprofit clinic
 - d) An outside salesperson who is paid by commission but guaranteed a minimum salary
- 34 Which of the following is considered nontaxable compensation?
- a) Fringe benefits
 - b) Noncash prizes and awards
 - c) Business use of a company car
 - d) A back-pay award
- 35 The final stage of team development is:
- a) Forming
 - b) Storming
 - c) Norming
 - d) Performing
- 36 One of the options in Frank's cafeteria benefit plan is a dependent care flexible spending account. Frank earmarked \$100 per month to the account to pay for child care but spent only \$1,000 during the year. At the end of the year, what happens to the \$200 left in the account?
- a) The amount is forfeited.
 - b) It will be added to Frank's taxable income.
 - c) Frank can use it to "buy" an additional benefit.
 - d) It will carry over to the next year.
- 37 Mandy, a production worker, fell and broke her arm while in the company cafeteria on her coffee break. She admits it was "all her fault" because she was trying to show some fellow workers a cheerleading routine from her old high-school days. She received workers' compensation payments for two weeks. These payments are:
- a) Fully taxable.
 - b) Not taxable.
 - c) Subject only to social security and Medicare tax.

- 38 Which form is used by an insurance company to report social security and Medicare tax withheld from third-party sick pay?
- a) Form 941
 - b) Form 943
 - c) Form 945
 - d) Schedule A
- 39 COBRA health insurance continuation requires health-care sponsors to do which of the following for an employee whose coverage is lost due to a "qualifying event"?
- a) Provide the employee and their covered beneficiaries with the option for continuation with reduced coverage for a given period of time.
 - b) Provide the employee and their covered beneficiaries with the option to switch to individual coverage for a given period of time.
 - c) Provide the employee but not their covered beneficiaries with the option for continued group coverage for a given period of time.
 - d) Provide the employee and their covered beneficiaries with the option for continued group coverage for a given period of time.
- 40 Where would salaries paid to employees appear?
- Under current liabilities on the balance sheet.
- a) As an operating expense on the income statement.
 - b) As nonoperating expenses on the income statement.
 - c) Under long-term liabilities on the balance sheet.
- 41 On Thursday, Len receives news of a family emergency that requires him to take a flight home that evening. Payday is not until Friday at 3 p.m., but he needs his paycheck to pay for the flight. When Len contacts the payroll department and explains his situation, he is told that a check will be ready for him when he stops by. Which principle of good customer service has the payroll department exhibited?
- a) Reliability
 - b) Responsiveness
 - c) Assurance
 - d) Empathy
 - e) Tangibles
- 42 Which of the following is a nonexempt employee?
- a) A teacher at a private school
 - b) A shipping clerk who earns \$300 per week
 - c) An executive secretary who spends about five hours a week keypunching sales reports
 - d) A retail store manager who spends about 25% of her time dealing directly with customers
- 43 Steve was sick the last week of December. His paycheck, dated December 31, 2014, was held for him until he returned to work on January 6, 2015. These wages are taxable:
- a) In 2014
 - b) In 2015
- 44 Fahima's employer contributes \$200 per month to her cafeteria benefit plan. The pretax medical/dental/retirement package that Fahima has chosen costs \$250 per month. She contributes the extra \$50 for this benefit plan. Payroll must withhold:
- a) Social security and Medicare tax from only the employee contribution.
 - b) Social security, Medicare tax, and federal income tax from only the employee contribution.
 - c) No tax from either the employee or employer contribution.
 - d) Social security and Medicare tax from only the employer contribution.

- 45 In terms of workers' compensation, California is a competitive, non-National Council state. What does this mean?
- a) Whether or not employers participate in the state workers' compensation plan is subject to collective bargaining.
 - b) They use a manual published by the National Council.
 - c) The private carriers compete with each other for workers' compensation insurance in California, and a manual not published by the National Council is used.
 - d) Their plan is not acceptable to the National Council on Compensation Insurance.
- 46 Wilford lives in Louisiana and was recently hired to work for a Texas employer in Texas. His employer must report his new hire in which state(s)?
- a) Louisiana
 - b) Texas
 - c) Both Louisiana and Texas
- 47 XYZ, Inc., a firm that manufactures computer chips, files quarterly returns. Which form should XYZ use to report federal income tax withholding?
- a) Form 941
 - b) Form 943
 - c) Form 945
 - d) Schedule A
- 48 Emanuel, a citizen of Mexico, is hired by your firm to work in shipping and receiving. Which of the following documents would prove both his identity and his eligibility to work in this country?
- a) A U.S. military draft card
 - b) A driver's license
 - c) His social security card
 - d) An unexpired foreign passport with Form I-94 attached
- 49 What is a nonoperating expense?
- a) Cost of raw materials.
 - b) Interest for delinquent taxes.
 - c) Utilities.
 - d) Salaries and wages.
- 50 Paul's theory of management is: "Most employees want the freedom to do things their own way. I just work out a few basic ground rules and then let them go for it." Paul is best characterized as an advocate of:
- a) Situational leadership.
 - b) Empowerment.
 - c) Principle-centered leadership.