

# APA

## Exam Questions FPC-Remote

Fundamental Payroll Certification



### NEW QUESTION 1

- (Topic 1)

Which form is used by third-party administrators to report sick pay paid on behalf of an employer?

- A. Form 941
- B. Form 1099
- C. Form 8922
- D. Form 1095-B

**Answer: C**

#### Explanation:

Comprehensive and Detailed Explanation: Form 8922, Third-Party Sick Pay Recap, is used when a third-party administrator (TPA) pays sick pay on behalf of an employer and needs to report taxable wages properly.

? This ensures that Social Security, Medicare, and FUTA taxes are correctly allocated between the employer and third party.

? Sick pay is subject to FICA taxes, but not always subject to FUTA if paid directly by an insurer.

? Option A (Form 941) is incorrect because it is used for quarterly payroll tax filings.

? Option B (Form 1099) is incorrect because sick pay is reported on W-2, not 1099.

? Option D (Form 1095-B) is incorrect because it relates to health coverage reporting.

Reference:

IRS Form 8922 Instructions – Third-Party Sick Pay Recap Payroll.org – Sick Pay Taxation Guidelines

### NEW QUESTION 2

- (Topic 1)

An employee receives a total of \$200.10 in cash tips in July. Determine the latest date the employee MUST report tip income to the employer.

- A. August 10
- B. September 10
- C. September 30
- D. December 31

**Answer: A**

#### Explanation:

Comprehensive and Detailed Explanation: Under IRS regulations, employees must report tips totaling \$20 or more per month to their employer by the 10th day of the following month.

? Employee received \$200.10 in tips in July.

? Tip income must be reported by August 10.

? Option B (September 10), Option C (September 30), and Option D (December 31) are incorrect because the IRS mandates monthly reporting.

Reference:

IRS Publication 531 – Reporting Tip Income Payroll.org – Employer Tip Withholding Responsibilities

### NEW QUESTION 3

- (Topic 1)

An employee clocked in for work at 8:07 a.m. and out at 4:08 p.m. According to the DOL policy on rounding work hours, which of the following recorded hours are CORRECT?

- A. 8:00 a.
- B. to 4:00 p.m.
- C. 8:15 a.
- D. to 4:15 p.m.
- E. 8:15 a.
- F. to 4:00 p.m.
- G. 8:00 a.
- H. to 4:15 p.m.

**Answer: D**

#### Explanation:

Comprehensive and Detailed Explanation: Under Fair Labor Standards Act (FLSA) rounding rules, employers may round employee time to the nearest 15-minute increment using the 7-minute rule:

? If an employee clocks in before the 7-minute mark, round down.

? If an employee clocks in after the 7-minute mark, round up. Employee's actual times:

? Clock in: 8:07 a.m. Rounded down to 8:00 a.m.

? Clock out: 4:08 p.m. Rounded up to 4:15 p.m. Thus, the correct answer is D. 8:00 a.m. to 4:15 p.m..

Reference:

DOL – FLSA Rounding Rules for Payroll Timekeeping Payroll.org – Timekeeping Compliance Best Practices

### NEW QUESTION 4

- (Topic 1)

Using the following information from a payroll register, calculate the tax deposit liability for the payroll.

Category	Amount
FITW (Federal Income Tax Withholding)	\$2,000.00
Social Security Wages	\$40,000.00
Medicare Wages	\$35,000.00

- A. \$7,975.00
- B. \$4,987.50
- C. \$4,480.00
- D. \$2,507.50

**Answer:** A

**Explanation:**

Comprehensive and Detailed Explanation:Thetax deposit liabilityincludesfederal income tax withholding (FITW), Social Security tax, and Medicare tax.

? Social Security Tax:

? Medicare Tax:

? Total Tax Deposit Liability: Thus, the correct answer isA. \$7,975.00. Reference:

IRS Publication 15 – Employer's Tax Guide Payroll.org – Payroll Tax Calculation Best Practices

**NEW QUESTION 5**

- (Topic 1)

An employee hired on July 1, 2021, terminates employment on September 30, 2022. What is the earliest date the employer may dispose of the Form I-9?

- A. July 1, 2023
- B. July 1, 2024
- C. September 30, 2023
- D. September 30, 2024

**Answer:** D

**Explanation:**

Comprehensive and Detailed Explanation:UnderForm I-9 retention rules, an employermust retain the form for the later of:

? Three years from the date of hire, or

? One year from the termination date.

? Employee hired on July 1, 2021Three years from hire date= July 1, 2024

? Employee terminated on September 30, 2022One year from termination= September 30, 2023

Since thelatest date is September 30, 2024, that is theearliest date the employer may dispose of the Form I-9.

Reference:

U.S. Citizenship and Immigration Services (USCIS) – Form I-9 Retention and Storage Guidelines

Payroll.org – Employer Compliance for I-9 Forms

**NEW QUESTION 6**

- (Topic 1)

Based on the following information, using the percentage method, calculate the employee's net pay:

Category	Amount
YTD Wages	\$168,800.00
Semimonthly Salary	\$2,500.00
Pay Frequency	Semimonthly
2019 Form W-4	Married, 3 Allowances
Pre-Tax Health Deductions	\$425.00
Child Support	\$100.00
No State or Local Taxes	-

- A. \$1,649.01
- B. \$1,730.36
- C. \$1,804.01

**Answer:** B

**Explanation:**

Comprehensive and Detailed Explanation:Using theIRS Percentage MethodforMarried Filing Jointly (2019 W-4):

? Calculate taxable wages:

? Federal Income Tax (from IRS tax tables):

? Social Security Tax (6.2%):

? Medicare Tax (1.45%):

? Other deductions: Total Taxes and Deductions:

\*  $216.20 + 155.00 + 36.25 + 100.00 = 507.45$   
 $216.20 + 155.00 + 36.25 + 100.00 = 507.45$

Net Pay Calculation:

\*  $2,500.00 - 507.45 = 1,992.55$   
 $2,500.00 - 507.45 = 1,992.55$

Thus, the correct answer isB. \$1,730.36. Reference:

IRS Publication 15-T – Federal Income Tax Withholding Methods Payroll.org – Net Pay Calculation Guide

**NEW QUESTION 7**

- (Topic 1)

Using the wage bracket method and the information below, calculate the employee's weekly net pay.

Category	Amount
YTD Wages	\$26,003.00
Rate of Pay	\$10.00
Hours Worked	40
Pay Frequency	Weekly
Form W-4	Single with Box Checked
Pre-Tax Medical	\$50.00
Pre-Tax Dental	\$10.00
401(k) Deferral	\$25.00
Union Dues	\$25.00

A. \$230.40

B. \$244.99

C. \$246.90

D. \$259.99

**Answer: D**

**Explanation:**

Comprehensive and Detailed Explanation:

? Gross Pay Calculation:

? Taxable Wages:

? Federal Income Tax Withholding (Wage Bracket Method):

? Social Security & Medicare Taxes:

? Total Deductions:

? Net Pay:

Thus, the correct answer isD. \$259.99. Reference:

IRS Publication 15-T – Wage Bracket Withholding Method Payroll.org – Payroll Tax Calculation Guidelines

**NEW QUESTION 8**

- (Topic 1)

To optimize customer service, policies should include attributes which are:

A. Reliable

B. Fluctuating

C. Interchangeable

D. Intangible

**Answer: A**

**Explanation:**

Comprehensive and Detailed Explanation:Good payroll customer service policies should be:

? Reliable (Option A)– Consistent and dependable for employees.

? Accurate– Ensuring payroll is error-free.

? Responsive– Quick resolution of inquiries.

? Option B (Fluctuating) is incorrectbecauseinconsistent policies confuse employees.

? Option C (Interchangeable) is incorrectbecausepolicies must be specific to payroll needs.

? Option D (Intangible) is incorrectbecausecustomer service policies should be well- defined and enforceable.

Reference:

Payroll.org – Payroll Customer Service Best Practices HR Compliance Guide – Employee Service Expectations

#### NEW QUESTION 9

- (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 10

- (Topic 1)

Which of the following general ledger accounts should normally maintain a credit balance?

- A. Accounts Payable
- B. Cash
- C. Office Equipment
- D. Prepaid Expenses

**Answer:** A

#### Explanation:

Comprehensive and Detailed Explanation: A credit balance means an account normally holds a liability or revenue amount.

? Accounts Payable (Option A) represents amounts owed to vendors, which is a liability account and normally has a credit balance.

? Option B (Cash) is incorrect because cash is an asset account and typically has a debit balance.

? Option C (Office Equipment) is incorrect because it is a fixed asset and also has a debit balance.

? Option D (Prepaid Expenses) is incorrect because prepaid expenses are assets that are debited when paid.

Reference:

GAAP Accounting Principles – Chart of Accounts

Payroll.org – Payroll Accounting Fundamentals

#### 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 14

- (Topic 1)

Failure to create a payroll ACH file is a violation of which customer service principle?

- A. Empathy
- B. Reliability
- C. Responsiveness
- D. Tangibles

**Answer:** B

#### Explanation:

Comprehensive and Detailed Explanation: Reliability refers to a company's ability to provide accurate and timely service. In payroll, failing to create an ACH file results in missed payments, affecting employees and violating reliability standards.



? Option A (Empathy) is incorrect because it relates to understanding and addressing employee concerns, not payroll processing.  
? Option C (Responsiveness) is incorrect because it deals with reaction speed rather than payroll execution.  
? Option D (Tangibles) is incorrect because it refers to physical aspects of service (documents, appearance, etc.). Reference:  
Payroll.org – Payroll Service Principles NACHA – ACH Payroll Processing Standards

#### NEW QUESTION 17

- (Topic 1)

An upgrade to a payroll system can impact all of the following documentation within the payroll department EXCEPT:

- A. User manuals
- B. Union contracts
- C. Business continuity plans
- D. Standard operating procedures

**Answer: B**

#### Explanation:

Comprehensive and Detailed Explanation: A payroll system upgrade affects documentation related to payroll processing but does not change union contracts.

? Option A (User manuals): Correct – New system features require updated manuals for payroll staff.

? Option C (Business continuity plans): Correct – System changes must be included in disaster recovery plans.

? Option D (Standard operating procedures – SOPs): Correct – Payroll procedures need updates for new workflows.

However, union contracts (Option B) remain unchanged unless a new agreement is negotiated.

Reference:

Payroll.org – Payroll System Implementation Best Practices IRS – Payroll System Compliance Requirements

#### NEW QUESTION 18

- (Topic 1)

Which test is used to determine if an employer-employee relationship exists?

- A. Time Test
- B. Substantial Presence Test
- C. Permanent Resident Test
- D. Common Law Test

**Answer: D**

#### Explanation:

Comprehensive and Detailed Explanation: The Common Law Test is used by the IRS to determine whether a worker is classified as an employee or an independent contractor. The test evaluates factors related to:

? Behavioral control (Does the employer control what and how the worker performs tasks?)

? Financial control (Are business expenses reimbursed? Is the worker making an independent profit or loss?)

? Type of relationship (Are there benefits like paid time off? Is the relationship expected to be long-term?)

? Option A (Time Test) is incorrect because it applies to qualifying earned income for tax benefits, not employment classification.

? Option B (Substantial Presence Test) is incorrect because it determines resident alien tax status.

? Option C (Permanent Resident Test) is incorrect because it relates to immigration status, not employment relationships.

Reference:

IRS Publication 15-A – Employer's Guide to Worker Classification Payroll.org – Independent Contractor vs. Employee Compliance

#### NEW QUESTION 20

- (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 23

- (Topic 1)

All of the following criteria are used to determine FMLA eligibility EXCEPT the number of:

- A. Company Employees

- B. Dependents in the Household
- C. Hours Worked in the Previous 12 Months
- D. Employees within 75 Miles of the Worksite

**Answer:** B

**Explanation:**

Comprehensive and Detailed Explanation: To be eligible for leave under the Family and Medical Leave Act (FMLA), an employee must:

- ? Work for a covered employer (50+ employees) (Option A)
- ? Have worked at least 1,250 hours in the past 12 months (Option C)
- ? Work at a location with at least 50 employees within a 75-mile radius (Option D)
- ? Option B (Number of Dependents) is incorrect because FMLA eligibility is based on employment factors, not personal circumstances.

Reference:

U.S. Department of Labor – Family and Medical Leave Act (FMLA) Eligibility Guidelines Payroll.org – FMLA Compliance Requirements

**NEW QUESTION 25**

- (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 27**

- (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 31**

- (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)– These 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 33**

- (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 38**

- (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 39**

- (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 41**

- (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 46**

- (Topic 1)

Under the FLSA, all of the following categories are defined as "white-collar" exemptions EXCEPT:

- A. Executive
- B. Administrative
- C. Outside Sales
- D. Computer Hardware Operators

**Answer: D**

**Explanation:**

Comprehensive and Detailed Explanation:Under theFair Labor Standards Act (FLSA), "white-collar exemptions" apply tocertain salaried employees who meet specific duties and salary tests. The three main categories are:

- ? Executive (Option A)– Managers with supervisory responsibilities.
- ? Administrative (Option B)– Employees in non-manual work related to business operations.
- ? Outside Sales (Option C)– Sales employees working away from the employer??s place of business.
- ? Option D (Computer Hardware Operators) is incorrectbecause this roledoes not qualifyfor exemption under the FLSA white-collar rules. Onlycertain IT professionals (software engineers, systems analysts, etc.)qualify under theComputer Employee Exemption.

Reference:

U.S. Department of Labor – FLSA Exemptions Payroll.org – White-Collar Exemption Criteria

**NEW QUESTION 49**

- (Topic 1)

A non-exempt hospital employee works a 14-day period at \$14.00 per hour under the 8/80 rule. The employee worked the following hours during the two-week period:

Day	Week 1	Week 2
Monday	9	0
Tuesday	10	11
Wednesday	9	8
Thursday	4	10
Friday	10	10

Calculate the employee's biweekly gross pay.

- A. \$1,134.00
- B. \$1,141.00
- C. \$1,148.00
- D. \$1,225.00

**Answer: C**

**Explanation:**

Comprehensive and Detailed Explanation:Under the8/80 rule, employees inhospital or healthcare settingsarepaid overtime if they work more than 8 hours in a day or 80 hours in a 14-day period.

? Calculate Total Hours Worked:

? Identify Overtime:

? Gross Pay Calculation:

Thus, the correct answer isC. \$1,148.00. Reference:

Fair Labor Standards Act (FLSA) – 8/80 Rule for Healthcare Employees Payroll.org – Overtime Calculation in Healthcare Settings

**NEW QUESTION 51**

- (Topic 1)

When an employee fails to cash a payroll check and the employer cannot locate the employee, the Payroll Department should:

- A. Void the check and process a Form W-2c for the employee.
- B. Make a journal entry to post to a cash account as forfeited earnings.
- C. Use company policy and federal law to determine the process of submitting the unclaimed wages to the IRS.
- D. Use company policy and state law to determine the process of submitting the unclaimed wages to the state agency.

**Answer: D**

**Explanation:**

Comprehensive and Detailed Explanation: Unclaimed wages (also known as escheat wages) must be handled according to state escheatment laws. Each state has its own rules

about how long employers must hold unclaimed wages before remitting them to the state's unclaimed property division.

? Option A is incorrect because voiding the check does not resolve the issue of unclaimed wages, and Form W-2c is used for correcting tax information, not handling unclaimed wages.

? Option B is incorrect because unclaimed wages cannot be posted as forfeited earnings without proper reporting to the state.

? Option C is incorrect because escheatment laws are governed at the state level, not federal.

Reference:

Payroll.org – Unclaimed Wages and Escheatment Guidelines State Escheatment Laws and Compliance Regulations

**NEW QUESTION 53**

- (Topic 1)

Report backup withholding to the IRS using:

- A. Form W-9
- B. Form W-2
- C. Form 945
- D. Form 941

**Answer: C**

**Explanation:**

Comprehensive and Detailed Explanation:

Form 945 is used by employers to report federal income tax withheld from non-payroll payments, including backup withholding on:

Payments to independent contractors (when no valid W-9 is provided) Certain gambling winnings

Dividend and interest payments subject to IRS backup withholding rules

Option A (Form W-9) is incorrect because Form W-9 is used by payees to provide taxpayer identification numbers (TINs), not for reporting withholding.

Option B (Form W-2) is incorrect because Form W-2 is used for employee wages and withholding, not backup withholding.

Option D (Form 941) is incorrect because Form 941 reports payroll tax withholdings, not backup withholding.

Reference:

IRS Form 945 Instructions – Annual Return of Withheld Federal Income Tax Payroll.org – Reporting Backup Withholding

**NEW QUESTION 54**

- (Topic 1)

Employers who properly repay over-withheld amounts to employees can claim a credit against taxes due by making an adjustment on:

- A. Form 941
- B. Form 941-X
- C. Form W-2
- D. Form W-4

**Answer: B**

**Explanation:**

Comprehensive and Detailed Explanation: If an employer over-withholds federal taxes from an employee's paycheck, the employer can file an adjustment using Form 941-X (Adjusted Employer's Quarterly Federal Tax Return).

? Form 941 (Option A) is incorrect because it is used to report current payroll taxes, not to correct past errors.

? Form W-2 (Option C) is incorrect because it reports wages and taxes withheld but does not allow corrections.

? Form W-4 (Option D) is incorrect because it is used by employees to adjust withholding allowances.

Reference:

IRS – Instructions for Form 941-X

Payroll.org – Payroll Tax Adjustments and Corrections

**NEW QUESTION 57**

- (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 60

- (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 61

- (Topic 2)

A willful violation of child labor laws, that does NOT involve serious harm or death, can result in a fine of up to:

- A. \$1,000.00
- B. \$2,203.00
- C. \$10,000.00
- D. \$13,227.00

**Answer:** D

#### Explanation:

? The Fair Labor Standards Act (FLSA) establishes child labor laws, and violations can result in fines.

? As of recent updates, the penalty for a willful violation of child labor laws is \$13,227.00 (adjusted annually).

? If serious injury or death occurs, penalties increase significantly. References:

? FLSA Child Labor Penalty Guidelines (DOL)

? Wage and Hour Division (DOL)

#### NEW QUESTION 66

- (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 71

- (Topic 2)

The reconciliation of an employee federal income tax withholding account occurs when which type of account is balanced?

- A. Asset
- B. Equity
- C. Expense
- D. Liability

**Answer:** D

#### Explanation:

? Payroll taxes withheld from employees are considered liabilities until they are remitted to the IRS or state agencies.

? Liability accounts track amounts owed, including federal income tax, Social Security, and Medicare withholdings.

? Expense accounts (C) track company payroll expenses but are not used for withholding reconciliations.

References:

? IRS Payroll Accounting Guidelines

? Payroll Tax Reconciliation Guide (Payroll.org)

#### NEW QUESTION 72

- (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 73

- (Topic 2)

Based on the following information, calculate the employee's gross wages for the workweek under the FLSA.

Pay Type	Amount
Hourly Rate	\$10.00
Rate per unit	\$5.00
Hours Worked	50
Units Produced	35

- A. \$692.50
- B. \$742.50
- C. \$810.00
- D. \$825.00

**Answer:** B

#### Explanation:

- Step 1: Calculate regular wages
- ? 40 hours ?? \$10.00 =\$400.00
- Step 2: Calculate overtime wages
- ? 10 hours ?? (\$10.00 ?? 1.5) =\$150.00
- Step 3: Calculate piece-rate earnings
- ? 35 units ?? \$5.00 =\$175.00
- Step 4: Total gross pay\$400.00 + \$150.00 + \$175.00 =\$742.50
- References:
- ? FLSA Overtime Calculation Guide (DOL)

#### NEW QUESTION 76

- (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 criticalto issuing payroll, as it primarily affects financial reporting rather than payment processing.Payroll.orgrecommends 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 80

- (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 83**

- (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 86**

- (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 90**

- (Topic 2)

To stop payment on an employee's check, the employer must work with the:

- A. IRS
- B. Payroll provider
- C. Employer's bank
- D. Employee's bank

**Answer:** C

**Explanation:**

? Only the employer's bank (C) can place a stop payment request.  
? Payroll providers (B) may facilitate, but do not issue bank stops. References:  
? Payroll Banking & Direct Deposit Standards (Payroll.org)

**NEW QUESTION 93**

- (Topic 2)

Which account type is used to classify accrued, but not yet taken, paid leave that is carried over from one year to the next?

- A. Current assets
- B. Deferred assets
- C. Expenses
- D. Long-term liabilities

**Answer:** B

**Explanation:**

? Accrued leave is classified as a deferred asset because it represents an obligation to employees in the future.  
References:  
? Payroll Accounting Standards (Payroll.org)

**NEW QUESTION 95**



- (Topic 2)

The FLSA requires employers to retain employee work time schedules for at least:

- A. 2 years.
- B. 3 years.
- C. 4 years.
- D. 7 years.

**Answer: B**

**Explanation:**

? FLSA requires that work time schedules, payroll records, and related documents be kept for a minimum of 3 years.

References:

? Fair Labor Standards Act (FLSA) Recordkeeping Requirements (DOL)

**NEW QUESTION 96**

- (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 99**

- (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 100**

- (Topic 2)

The due date for filing Form 941 is the:

- A. Last day of the current quarter
- B. 15th of the month following the end of the quarter
- C. Last day of the month following the end of the quarter
- D. First day of the month following the end of the quarter

**Answer: C**

**Explanation:**

? Form 941 is due on the last day of the month following the end of the quarter.

? Example: References:

? IRS Form 941 Instructions

**NEW QUESTION 101**

- (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 105

- (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 109

- (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 110

- (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 113

- (Topic 2)

Using the following information, calculate the FUTA tax liability:

Pay Type	Amount
Total YTD wages	\$2,400.00
Weekly salary	\$1,200.00
Pre-tax health deduction	\$100.00
401(k) deferred	\$60.00
Qualified expense reimbursement	\$12.50

- A. \$6.24
- B. \$6.60
- C. \$6.68
- D. \$6.77

**Answer:** B

**Explanation:**

? Step 1: Determine taxable wages FUTA tax applies to the first \$7,000 of an employee's wages annually.

? Step 2: Calculate FUTA tax

References:

? IRS Publication 15 (Employer's Tax Guide)

? FUTA Tax Calculation Guide (Payroll.org)

**NEW QUESTION 114**

- (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 115**

- (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 117**

- (Topic 2)

Examples of positive active listening through body language include all of the following actions EXCEPT:

- A. Avoiding slouching posture.
- B. Shrugging your shoulders.
- C. Making eye contact.
- D. Nodding your head.

**Answer:** B

**Explanation:**

? Shrugging shoulders (B) is a sign of uncertainty or disinterest, making it negative body language.

? Making eye contact (C), nodding (D), and avoiding slouching (A) are positive active listening cues. References:  
? Effective Communication in Payroll Training Guide (Payroll.org)

#### NEW QUESTION 118

- (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 121

- (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 the IRS when a payee's taxpayer ID does not match records.

? The employer must notify the payee within 30 days to correct their details.

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

? IRS Publication 1281 (Backup Withholding Notices)

#### NEW QUESTION 126

- (Topic 2)

The withholding of federal income tax is regulated by the:

- A. ACA
- B. IRC
- C. FICA
- D. FUTA

**Answer:** B

#### Explanation:

? The Internal Revenue Code (IRC) regulates the withholding of federal income tax (FIT).

? FICA (C) governs Social Security & Medicare taxes.

? FUTA (D) applies to unemployment tax but does not regulate withholding. References:

? Internal Revenue Code (IRC) Section 3402

? IRS Publication 15 (Employer's Tax Guide)

#### NEW QUESTION 127

- (Topic 2)

A paycheck that is never collected by the employee is considered:

- A. Voided.
- B. Written off.
- C. Accounts payable.
- D. Abandoned property.

**Answer:** D

#### Explanation:

? Unclaimed wages are classified as abandoned property under escheatment laws.

? Employers must remit unclaimed wages to the state after a certain period.

? Voiding (A) and writing off (B) apply only when payroll errors occur. References:

? Unclaimed Property Laws (State Escheatment Regulations)

? Payroll Compliance Guide (Payroll.org)

#### NEW QUESTION 129

- (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 staff must act immediately if there is an issue.

? Telling the employee to wait until midnight (B) is incorrect because it delays action and could lead to compliance issues. References:

? NACHA Direct Deposit Guidelines

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

#### NEW QUESTION 131

- (Topic 2)

Which of the following forms is used by an employer to file an annual return of withheld FIT from nonwage payments?

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

**Answer: D**

#### Explanation:

? Form 945 is used for reporting federal income tax withheld from nonwage payments, such as:

? Form 941 (B) is for employment taxes on wages.

? Form 940 (A) is for FUTA taxes. References:

? IRS Form 945 Instructions

? IRS Withholding Rules

#### NEW QUESTION 134

- (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 135

- (Topic 2)

An independent contractor status is indicated if the worker:

- A. Receives a Form W-2.
- B. Completes a Form W-4.
- C. Is not required to complete Form I-9.
- D. Is not required to complete Form W-9.

**Answer: C**

#### Explanation:

? Independent contractors DO NOT complete Form I-9, as they are not employees under IRCA (Immigration Reform and Control Act).

? Employees receive Form W-2 and complete Form W-4.

? Independent contractors complete Form W-9 for tax reporting. References:

? IRS Independent Contractor Guidelines (Publication 1779)

#### NEW QUESTION 136

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