

# EXAMINATION QUESTIONS

To aid instructors using *Payroll Accounting*, we have provided a section of examination questions in this manual. The section contains true-false and multiple-choice questions for Chapter 1, with the addition of short problems for Chapters 2, 3, 4, 5, and 6, arranged according to the presentation of the subject matter within these chapters of the textbook.

There is a sufficient number of test questions so that you may vary your examinations from semester to semester or prepare different examinations for each section of the course you may be teaching. Each of the true-false and multiple-choice questions is preceded by a letter answer to the question and a page reference to the textbook page upon which the answer may be found.

## CHAPTER 1

### True-False Questions

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| T<br>1-3 | 1. The Fair Labor Standards Act is commonly known as the Federal Wage and Hour Law.  |
| F<br>1-3 | 2. The FLSA imposes no recordkeeping requirements on employers.  |
| T<br>1-3 | 3. The employer is required by the FLSA to display a poster that informs employees of the provisions of the law.   |
| F<br>1-3 | 4. All states have set their minimum wage to be the same as the federal government.  |
| F<br>1-4 | 5. Under the Federal Insurance Contributions Act, the Medicare portion of the tax is only paid by the employer.  |
| F<br>1-4 | 6. The FLSA provides health insurance for the aged and disabled (Medicare).  |
| T<br>1-4 | 7. The tax paid to the federal government for unemployment taxes is used for paying state and federal administrative expenses of the unemployment program. |
| T<br>1-4 | 8. The Self-Employment Contributions Act imposes a tax on the net earnings from self-employment derived by an individual from any trade or business.       |
| F<br>1-4 | 9. Each state imposes an income tax on employees that is 2 percent of gross wages.   |
| F<br>1-5 | 10. Only six states do not impose a state unemployment tax on employers in their state.  |

- T 11. One of the provisions of coverage of the Civil Rights Act is that the  
1-5 employer must have 15 or more workers.
- F 12. Title VII of the Civil Rights Act protects all employees from arbitrary  
1-5 dismissal.
- T 13. By the use of executive orders, the federal government has banned  
1-7 discrimination in employment on government contracts.
- T 14. Employers not subject to Title VII coverage may come within the scope  
1-7 of the Civil Rights Act by reason of a contract or subcontract involving federal funds.
- T 15. Under the Civil Rights Act of 1964, the U.S. government is classified  
1-5 as an exempt employer.
- T 16. An exception to the protection that the Age Discrimination in Employ-  
1-7 ment Act provides for all workers over 40 involves executives who are 65 or older and who have held high policy-making positions during the two-year period prior to retirement.
- T 17. Under the Federal Personal Responsibility and Work Opportunity Rec-  
1-8 onciliation Act, every employer is required to report the name, address, and social security number of each new employee to the appropriate state agency.
- T 18. Form I-9 must be completed by each new hire.  
1-9
- F 19. Employers are now required to photocopy new employees' Form I-9  
1-9 documents.
- T 20. In order for the Walsh-Healey Public Contracts Act to protect laborers  
1-9 for contractors who furnish materials to any agency of the United States, the contract amount must be at least \$10,000.
- F 21. Under FMLA, the time off must be used in one uninterrupted period of  
1-10 time.
- T 22. Under the Family and Medical Leave Act, employers can exempt an  
1-11 employee who has not worked for the employer for at least one year and has worked for the company at least 1,250 hours in the last year.
- F 23. FUTA was designed to ensure that workers who are covered by pen-  
1-11 sion plans receive benefits from those plans.
- T 24. Under ERISA, vesting conveys to employees the right to share in a  
1-11 retirement fund in the event they are terminated before the normal retirement age.

- T 25. If an investigative consumer report is being used, the applicant must  
1-19 be given a written notice that the information obtained will be used in the employment decision.
- T 26. ERISA provides for full vesting of the employer's contributions in three  
1-12 years or gradually over six.
- T 27. Under the Affordable Care Act, employers with 50 or more full-time  
1-13 employees during the previous year are required to provide health insurance coverage for all full-time employees.
- F 28. The Affordable Care Act does not make a distinction between large  
1-13 and small employers.
- F 29. The total cost of workers' compensation insurance is borne by the  
1-14 employees.
- T 30. Workers' compensation insurance premiums for employers vary ac-  
1-14 cording to the different degrees of danger in various classes of jobs and employers' accident experience rate.
- F 31. Only one state has passed a law to provide disability benefits to em-  
1-14 ployees absent from their jobs due to illness, accident, or disease not arising out of their employment.
- F 32. The *requisition for personnel form* is sent to the Payroll Department so  
1-16 that the new employee can be properly added to the payroll.
- F 33. Employment application forms are usually discarded when the appli-  
1-20 cant is hired.
- T 34. Questions pertaining to religion, gender, national origin, or age are  
1-19 allowed on application forms when these are bona fide occupational qualifications for a job.
- T 35. Asking applicants for their arrest records is illegal.  
1-19
- F 36. There are no states that allow employees to access their personnel  
1-22 files.
- F 37. The *payroll register* is a separate payroll record that is kept on each  
1-23 employee.
- T 38. A *payroll register* lists all employees who have earned remuneration,  
1-23 the amount of remuneration, the deductions, and the net amount paid for each pay period.
- F 39. The amounts needed for the payroll entries in the journal come from  
1-23 the *employee's earnings record*.
- F 40. The trend toward outsourcing of payroll operations has weakened in  
1-25 recent years.

### Multiple-Choice Questions

- a  
1-3
1. Which of the following laws establishes the minimum wage?
- a. Fair Labor Standards Act
  - b. Federal Income Tax Act
  - c. Federal Insurance Contributions Act
  - d. Federal Unemployment Tax Act
  - e. Fair Employment Laws
- a  
1-4
2. Which of the following is *not* part of the social security program?
- a. Federal Income Tax Law
  - b. Federal Old-Age and Survivors' Trust Fund
  - c. Medicare
  - d. Self-Employment Contributions Act
  - e. All are part of the social security program.
- b  
1-4
3. Which of the following acts levies a tax on employers and employees that is credited to the Federal Old-Age and Survivors' Trust Fund and the Federal Disability Insurance Trust Fund?
- a. Federal Income Tax Act
  - b. Federal Insurance Contributions Act
  - c. Fair Labor Standards Act
  - d. Federal Unemployment Tax Act
  - e. Employee Retirement Income Security Act
- a  
1-3
4. Which of the following is a provision of the Fair Labor Standards Act (FLSA)?
- a. Sets up minimum wage
  - b. Tax on net earnings of self-employed individuals
  - c. Allows discrimination in hiring
  - d. Separate tax on employees and employers
  - e. All are provisions of the FLSA
- b  
1-3
5. The Fair Labor Standards Act has set the current minimum hourly rate of pay at:
- a. \$10.00.
  - b. \$7.25.
  - c. \$7.75.
  - d. \$5.00.
  - e. \$8.50.
- c  
1-4
6. Which of the following is a part of the social security program?
- a. Federal unemployment taxes (FUTA)
  - b. State income tax withholding
  - c. Medicare
  - d. Federal income tax withholding
  - e. All are part of the social security program

- a  
1-4      7. Which of the following levies a graduated tax on the earnings of most employees and is deducted from their gross pay?
- a. Income tax withholding laws
  - b. Federal Unemployment Tax Act
  - c. Fair Labor Standards Act
  - d. Federal Insurance Contributions Act
  - e. Employee Retirement Income Security Act
- b  
1-4      8. What tax act levies a tax on employers to pay state and federal administrative expenses of the unemployment program?
- a. Federal Income Tax Act
  - b. Federal Unemployment Tax Act
  - c. Federal Wage and Hour Law
  - d. Estate Unemployment Tax Acts
  - e. Workers' Compensation Laws
- c  
1-5      9. Which of the following acts established the Equal Employment Opportunity Commission (EEOC)?
- a. Americans with Disabilities Act
  - b. Immigration Reform and Control Act of 1986
  - c. Civil Rights Act of 1964
  - d. Age Discrimination in Employment Act
  - e. None of the above
- d  
1-5      10. Title VII of the Civil Rights Act is referred to as the:
- a. Wage and Hour Act.
  - b. Social Security Act.
  - c. Age Discrimination Act.
  - d. Equal Employment Opportunity Act.
  - e. Immigration Reform Act.
- b  
1-7      11. All of the following are covered by the Age Discrimination in Employment Act *except*:
- a. labor unions.
  - b. an employer with 15 employees.
  - c. state government employees (other than elected officials).
  - d. employment agencies.
  - e. All of the above are covered.
- e  
1-7      12. The Age Discrimination in Employment Act provides protection to virtually all workers up to the age of:
- a. 50.
  - b. 65.
  - c. 70.
  - d. 75.
  - e. 40.

- b  
1-9      **13.** Form I-9, which is completed by each employee, deals with:
- a. contributions to individual retirement accounts.
  - b. verification of employment eligibility.
  - c. eligibility for unemployment benefits.
  - d. eligibility for Medicare benefits.
  - e. none of the above.
- e  
1-9      **14.** Which of the following acts deals with the minimum wage paid to laborers for contractors on federal government construction contracts?
- a. Walsh-Healey Public Contracts Act
  - b. Fair Labor Standards Act
  - c. McNamara-O'Hara Service Contract Act
  - d. Occupational Safety and Health Act
  - e. Davis-Bacon Act
- a  
1-9      **15.** Form I-9, Employment Eligibility Verification, is required due to which of the following acts?
- a. Immigration Reform and Control Act of 1986
  - b. Civil Rights Act of 1964
  - c. Age Discrimination in Employment Act
  - d. Americans with Disabilities Act
  - e. None of the above
- e  
1-10      **16.** The E-Verify program is a system to check the:
- a. age of new hires.
  - b. vesting status of all employees.
  - c. health status of employees on medical leave.
  - d. social security status of new hires.
  - e. employment eligibility of new hires.
- c  
1-10      **17.** Which of the following acts deals with the unpaid leave for a family or medical emergency?
- a. Fair Labor Standards Act
  - b. Occupational Safety and Health Act
  - c. Family and Medical Leave Act of 1993
  - d. Walsh-Healey Public Contracts Act
  - e. None of the above
- d  
1-10      **18.** Which of the following is part of the Family and Medical Leave Act for the employer?
- a. Must provide for 9 months of unpaid leave
  - b. Must allow all employees to take the leave
  - c. Must pay the employee 50 percent of his or her salary during the leave
  - d. Must continue the employee's health-care coverage during the leave
  - e. All of the above

- e  
1-11      **19.** Employers can exempt which of the following from the provision of the Family and Medical Leave Act?
- a. All salaried employees
  - b. Employees with less than a five-year tenure with the employer
  - c. All employees under the age of 30
  - d. All employees earning the minimum wage
  - e. Highest-paid 10 percent of their workforce
- c  
1-12      **20.** ERISA provides for full vesting of the employer's contribution to an employee's pension fund in three years or gradually over:
- a. ten years.
  - b. five years.
  - c. six years.
  - d. seven years.
  - e. No gradual vesting is allowed.
- d  
1-13      **21.** The Affordable Care Act defines applicable large employers (ALEs) as employers with:
- a. 15 or more full-time employees during the previous year.
  - b. 1 or more full-time employees during the previous year.
  - c. 200 or more full-time employees during the previous year.
  - d. 50 or more full-time employees during the previous year.
  - e. 200 or more full- and part-time employees during the previous year.
- d  
1-13      **22.** Which of the following acts gives a tax credit to employers for offering health insurance to their employees?
- a. Civil Rights Act
  - b. Fair Labor Standards Act
  - c. Family and Medical Leave Act
  - d. Patient Protection and Affordable Care Act
  - e. None of the above
- a  
1-13      **23.** Which of the following laws protects employees against losses due to work-related injury?
- a. Workers' Compensation
  - b. Federal Wage and Hour
  - c. Family and Medical Leave
  - d. State Disability
  - e. Federal Unemployment
- e  
1-16      **24.** Which of the following is included in a job description?
- a. Secondary duties
  - b. Education requirements and special skills needed
  - c. Attendance requirements
  - d. Job's essential functions, including any physical requirements
  - e. All of the above

- c  
1-19      **25.** Pre-hire questions pertaining to religion, gender, national origin, or age are allowed if:
- a. all employees are asked the same questions.
  - b. only foreign-born applicants are asked these questions.
  - c. these factors are bona fide occupational qualifications for the job.
  - d. they are not in written form.
  - e. the applicant is married.
- c  
1-19      **26.** Which of the following is not allowed as part of a company's pre-hire inquiries?
- a. Past employment and experience records
  - b. Social security numbers
  - c. Lie detector tests
  - d. Educational background
  - e. List of references
- b  
1-20      **27.** Which of the following is used to provide a continuous record of the relationship between employer and employee?
- a. Change in payroll rate form
  - b. Employee history record
  - c. Hiring notice
  - d. Employee's earnings record
  - e. None of the above
- b  
1-23      **28.** Which of the following records lists all employees who earn remuneration, the amount of remuneration, the deductions, and the net amount paid for each payroll period?
- a. Employee history record
  - b. Payroll register
  - c. Change in payroll rate form
  - d. Reference inquiry form
  - e. None of the above
- a  
1-23      **29.** Which of the following is a multicolumn form used to assemble and summarize the data needed at the end of each payroll period?
- a. Payroll register
  - b. Reference inquiry form
  - c. Change in payroll rate form
  - d. Employee history record
  - e. None of the above
- d  
1-23      **30.** Which of the following is not part of the records employers keep in employee files?
- a. Regular pay rate
  - b. Gender
  - c. Wages subject to tax for the calendar year
  - d. Health-care account withdrawals
  - e. None of the above