

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 plans allow employees to defer income taxation until retirement. These include:

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

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

? 457(b) (Option C)– A nonqualified deferred compensation plan for government employees.

? Option D (501(c)) is incorrect because it refers to tax-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)

An exempt employee is being paid an annual discretionary bonus. The employee has submitted a 2020 W-4. Calculate the net pay based on the following information:

Category	Amount
Total YTD Wages	\$16,710.22
Bonus	\$5,000.00
Pay Frequency	Semimonthly
Form W-4	Married Filing Jointly
State Tax Rate	5.00%

- A. \$3,117.50
- B. \$3,267.50
- C. \$3,603.40
- D. \$3,932.83

Answer: B

Explanation:

Comprehensive and Detailed Explanation: Using the IRS Supplemental Wage Method, the flat tax rate of 22% applies to bonuses:

? Federal Income Tax:

? Social Security Tax:

? Medicare Tax:

? State Income Tax: Total Taxes Withheld:

$$1,100 + 310 + 72.50 + 250 = 1,732.50$$

Net Pay Calculation:

$$5,000 - 1,732.50 = 3,267.50$$

Thus, the correct answer is **B. \$3,267.50**.

Reference:

- IRS Publication 15-T – Federal Income Tax Withholding Methods
- Payroll.org – Bonus Tax Calculation Methods

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NEW QUESTION 3

- (Topic 1)

All of the following activities are examples of an internal control EXCEPT:

- A. Storing backup files on-site
- B. Segregating job duties
- C. Rotating job duties
- D. Restricting access to the system

Answer: A

Explanation:

Comprehensive and Detailed Explanation: Internal controls are processes used to ensure accuracy, security, and compliance in payroll operations. Effective internal controls include:

? Option B (Segregating job duties) Prevents fraud by ensuring no one person has full control over payroll.

? Option C (Rotating job duties) Reduces fraud risk and enhances cross-training.

? Option D (Restricting system access) Protects sensitive payroll data.

? Option A (Storing backup files on-site) is incorrect because internal control best practices recommend off-site or cloud backup to protect against data loss from disasters.

Reference:

Payroll.org – Payroll Internal Control Procedures IRS – Best Practices for Payroll Security

NEW QUESTION 4

- (Topic 1)

An employee's written notice of intent to take leave under the FMLA MUST be retained by the employer for a MINIMUM of:

- A. 2 years
- B. 3 years
- C. 4 years
- D. 5 years

Answer: B

Explanation:

Comprehensive and Detailed Explanation: The Family and Medical Leave Act (FMLA) requires employers to retain all leave-related records for at least 3 years. This includes:

? Employee requests for leave

? Employer's written responses

? Dates and duration of leave taken

? Premium payments for benefits during leave

? Option A (2 years) is incorrect because the minimum requirement is 3 years.

? Option C (4 years) and Option D (5 years) are incorrect because the law specifies a 3-year retention period.

Reference:

U.S. Department of Labor – FMLA Recordkeeping Requirements Payroll.org – Payroll Compliance for Employee Leave Records

NEW QUESTION 5

- (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 6

- (Topic 1)

The types of accounts used by businesses to classify transactions are:

- A. Asset, Expense, Revenue, Inventory, and Equity
- B. Asset, Liability, Expense, Revenue, and Equity
- C. Inventory, Revenue, Equity, and Cash
- D. Revenue, Expense, Cash, and Net Income

Answer: B

Explanation:

Comprehensive and Detailed Explanation: Business transactions are classified using five main types of accounts:

? Asset— Resources owned (e.g., cash, equipment, accounts receivable).

? Liability— Amounts owed (e.g., payroll taxes, loans).

? Expense— Costs incurred to operate the business (e.g., payroll expenses).

? Revenue— Income earned (e.g., sales, service fees).

? Equity— Owner's interest in the business (e.g., retained earnings).

? Option A is incorrect because "Inventory" is a type of asset, not a separate category.

? Option C is incorrect because "Cash" is a subcategory of assets, not a primary account type.

? Option D is incorrect because "Net Income" is the result of revenues minus expenses, not a separate account category.

Reference:

GAAP Accounting Principles – Types of Accounts Payroll.org – Payroll Accounting Classification

NEW QUESTION 7

- (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 8

- (Topic 1)

Payroll standard operating procedures should be updated no less frequently than:

A. Annually

B. Quarterly

C. When revising workflow

D. When management changes

Answer: C

Explanation:

Comprehensive and Detailed Explanation: Payroll Standard Operating Procedures (SOPs) must be regularly updated to maintain compliance and accuracy.

? Best practice is to update SOPs whenever workflows change (Option C).

? Option A (Annually) is incorrect because waiting a full year could lead to outdated procedures.

? Option B (Quarterly) is incorrect unless payroll processes are highly dynamic.

? Option D (When management changes) is incorrect because processes may change independently of leadership changes.

Reference:

Payroll.org – Payroll Policies and Procedures Best Practices IRS – Payroll Compliance Guidelines

NEW QUESTION 9

- (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 10

- (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 10

- (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 15

- (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 16

- (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 21

- (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 26

- (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 31

- (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 rendered rather than receiving fixed 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 incorrect because salaries 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 33

- (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 the 8/80 rule, employees in hospital or healthcare settings are paid 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 is C. \$1,148.00. Reference:

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

NEW QUESTION 35

- (Topic 1)

The best practice is to start the annual reconciliation after the:

- A. W-2 audit is complete
- B. End of the first quarter
- C. End of the calendar year
- D. First payroll of the current year

Answer: A

Explanation:

Comprehensive and Detailed Explanation: Annual payroll reconciliation ensures that payroll records match tax filings. The best practice is to start reconciliation after completing the W-2 audit, as this verifies:

? Employee earnings and tax withholdings

? Federal and state tax deposits

? Year-end adjustments

? Option B is incorrect because quarterly reconciliation is separate from annual reconciliation.

? Option C is incorrect because reconciliation should start after verifying W-2s, not just at the year-end.

? Option D is incorrect because reconciliation should be based on the prior year, not the first payroll of the new year.

Reference:

IRS – Year-End Payroll Reporting Guide Payroll.org – Annual Reconciliation Best Practices

NEW QUESTION 39

- (Topic 1)

All of the following workflow mapping descriptions are correct EXCEPT:

- A. Logical thought processes must include every step with nothing assumed
- B. Depictions and descriptions of sequences of operations of connected steps
- C. Where each step follows the last without delay or gap and ends just prior to the next
- D. When specifications detail the quality and level to be performed by one group for another

Answer: D

Explanation:

Comprehensive and Detailed Explanation: Workflow mapping is a visual representation of payroll processes to ensure efficiency and accuracy.

? Option A (Logical thought processes) ensures clarity and eliminates assumptions.

? Option B (Depictions of sequences) accurately describes workflow design.

? Option C (Steps follow without delay) ensures process efficiency.

? Option D is incorrect because it describes Service Level Agreements (SLA), not workflow mapping.

Reference:

Payroll.org – Payroll Workflow Mapping Guide

Process Improvement Standards – Payroll System Optimization

NEW QUESTION 40

- (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 41

- (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: A wage attachment (also called a wage levy) is a legal withholding from an employee's paycheck to satisfy an outstanding debt.

? IRS tax levies are a type of wage attachment used to collect unpaid federal taxes directly from an employee's wages.

? Employers must comply immediately when notified by the IRS.

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

? Option B (Creditor Garnishment) is incorrect because IRS tax levies do not require a court order like private creditor garnishments.

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

Reference:

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

NEW QUESTION 42

- (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 47

- (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 48

- (Topic 1)

The DOL can issue fines for all the following violations EXCEPT:

- A. Overtime
- B. Sick Leave
- C. Child Labor
- D. Minimum Wage

Answer: B

Explanation:

Comprehensive and Detailed Explanation: The Department of Labor (DOL) enforces violations related to:

? Overtime (A) – Under the Fair Labor Standards Act (FLSA).

? Child Labor (C) – Protecting workers under age 18.

? Minimum Wage (D) – Enforcing the federal minimum wage.

? Option B (Sick Leave) is incorrect because the DOL does not regulate paid sick leave at the federal level. Sick leave laws vary by state, but there is no federal mandate requiring paid sick leave.

Reference:

FLSA – Wage and Hour Division (DOL) Enforcement Payroll.org – Federal and State Payroll Compliance

NEW QUESTION 53

- (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 57

- (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 60

- (Topic 2)

Employer's federal quarterly employment taxes are reported on:

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

Answer: B

Explanation:

? Form 941 is used to report quarterly employment taxes (including federal income tax, Social Security, and Medicare).

? Form 940 reports FUTA taxes (A), not quarterly employment taxes.

? Form 944 is for small employers who file annually instead of quarterly.

? Form 945 is for non-wage income withholding (D). References:

? IRS Form 941 Instructions

NEW QUESTION 64

- (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 65

- (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 69

- (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 72

- (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 75

- (Topic 2)

All of the following preventative measures would help protect personally identifiable information EXCEPT:

- A. Locking files containing employee information.
- B. Signed confidentiality agreements for staff.
- C. Reviewing system security periodically.

D. Limiting communications to e-mail.

Answer: D

Explanation:

? E-mail is NOT a secure method for protecting sensitive payroll and HR data.
? Best practices include data encryption, access control, and employee training. References:
? Data Security Standards (Payroll.org)
? IRS Data Protection Guidelines

NEW QUESTION 77

- (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 82

- (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 87

- (Topic 2)

Based on the following Section 125 Cafeteria Plan contributions, calculate the employee's biweekly deductions.

Pay Type	Amount
Annual Salary	\$125,000.00
Annual Health Insurance	\$1,500.00
Monthly Life Insurance	\$15.00
Biweekly Dental	\$5.00

- A. \$69.61
- B. \$75.42
- C. \$77.69
- D. \$82.92

Answer: A

Explanation:

? Health Insurance (Biweekly) = $(\$1,500 \div 26) = \57.69
? Life Insurance (Biweekly) = $(\$15 \div 12 \div 26) = \6.92
? Dental Insurance = \$5.00
? Total Biweekly Deduction = $\$57.69 + \$6.92 + \$5.00 = \69.61 References:
? IRS Section 125 Cafeteria Plan Rules

NEW QUESTION 90

- (Topic 2)

An out-of-balance condition in the general ledger could be caused by:

- A. A direct deposit error
- B. Increased overtime
- C. Vacation payout
- D. High turnover

Answer: A

Explanation:

? Direct deposit errors (A) may result in payroll mismatches and unrecorded transactions, causing the general ledger to be out of balance.

? Other options (B, C, D) impact payroll costs but do not directly affect ledger

balancing. References:

? Payroll Accounting Reconciliation Standards

NEW QUESTION 91

- (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 96

- (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 99

- (Topic 2)

The process used to verify and validate payroll system edits or warnings is called:

- A. Gap analysis.
- B. Balancing and reconciliation.
- C. Evaluating system performance.
- D. Periodic data auditing and sampling.

Answer: B

Explanation:

? Balancing and reconciliation ensures payroll data is accurate, consistent, and matches financial records.

? Gap analysis (A) is used to compare actual vs. expected performance.

? Evaluating system performance (C) focuses on efficiency, not data verification.

? Periodic auditing (D) is important but not the primary method of payroll validation. References:

? Payroll Balancing & Reconciliation Guidelines (Payroll.org)

NEW QUESTION 100

- (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 102

- (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 itnegative 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 105

- (Topic 2)
Using the following information, calculate the imputed income that MUST be included in the employee??s monthly gross pay.

Pay Type	Amount
Annual Salary	\$78,000.00
GTL Plan Maximum	\$150,000.00
GTL Coverage	2 times the annual salary
Employee Age on Dec 31	53

- A. \$6.44
- B. \$23.00
- C. \$24.38
- D. \$34.50

Answer: C

Explanation:
? Step 1: Calculate excess GTL coverage
? Step 2: Use IRS Table for GTL Taxable Rates (for age 53: \$0.23 per \$1,000 of coverage)
References:
? IRS Publication 15-B (Taxable Group Term Life Insurance)

NEW QUESTION 109

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