



**APA**

**Exam Questions FPC-Remote**

Fundamental Payroll Certification

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**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)

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 4

- (Topic 1)

Where should a firm's business transactions FIRST be recorded?

- A. Balance Sheet
- B. General Ledger
- C. Journal
- D. Trial Balance

**Answer:** C

#### Explanation:

Comprehensive and Detailed Explanation: A Journal (Option C) is the first place where business transactions are recorded in chronological order before posting to the General Ledger.

? Option A (Balance Sheet) is incorrect because it is a financial statement, not a transaction log.

? Option B (General Ledger) is incorrect because transactions must first be recorded in a journal before being posted.

? Option D (Trial Balance) is incorrect because it is a summary of ledger balances used for reconciliation.

Reference:

GAAP Accounting Principles – Transaction Recording Process Payroll.org – Payroll Accounting Workflow

### NEW QUESTION 5

- (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 6

- (Topic 1)

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

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

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

**Answer: B**

**Explanation:**

Comprehensive and Detailed Explanation: Social Security tax is calculated at 6.2% of Social Security taxable wages.

? Determine taxable wages:

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

Reference:

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

**NEW QUESTION 7**

- (Topic 1)

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

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

**Answer: B**

**Explanation:**

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

? A previous IRS audit approved similar treatment

? A court ruling or IRS ruling supports classification

? Industry practices support independent contractor status

? Option A (Common Law Test) determines if a worker should be an employee or independent contractor, but does not override misclassification.

? Option C (Physical Presence Test) applies to foreign earned income exclusions.

? Option D (Permanent Resident Test) applies to immigration status, not worker classification.

Reference:

IRS – Reasonable Basis Test (Section 530 Relief)

Payroll.org – Independent Contractor vs. Employee Guidelines

**NEW QUESTION 8**

- (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 9

- (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 incorrect because inconsistent policies confuse employees.

? Option C (Interchangeable) is incorrect because policies must be specific to payroll needs.

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

Reference:

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

#### 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)

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 backups to protect against data loss from disasters.

Reference:

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

#### NEW QUESTION 14

- (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 16**

- (Topic 1)

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

A. Last Known Address

B. Employee's Full Name

C. Employee's Date of Birth

D. Payment Amount and Date

**Answer: C**

**Explanation:**

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

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

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

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

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

Reference:

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

**NEW QUESTION 20**

- (Topic 1)

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

A. General ledger accounts and payroll register only

B. Accounts payable payments and end-of-the-month balances only

C. Accounts payable end-of-the-month balances and general ledger accounts

D. Accounts payable payments and end-of-the-month balances; general ledger entries and payroll register

**Answer: D**

**Explanation:**

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

The correct answer includes all necessary reconciliation points:

? Accounts payable payments (ensure wages were paid)

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

? General ledger entries (confirm correct postings)

? Payroll register (check against wage statements)

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

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

Reference:

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

**NEW QUESTION 24**

- (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 25**

- (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 27**

- (Topic 1)

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

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

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

**Answer: B**

**Explanation:**

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

- ? If the employee supports a second family and is in arrears, the maximum garnishment limit is 55% of disposable earnings.
- ? Calculate Disposable Earnings:
- ? Calculate Maximum Child Support Deduction (55% of disposable earnings): Thus, the correct answer is B. \$768.90.

Reference:

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

**NEW QUESTION 30**

- (Topic 1)

Which of the following expenses is a non-operating expense?

- A. Insurance
- B. Interest paid on income taxes
- C. Legal fees
- D. Utilities

**Answer: B**

**Explanation:**

Comprehensive and Detailed Explanation: Non-operating expenses are costs not directly related to the core operations of a business.

- ? Option A (Insurance) is an operating expense because it is necessary to protect business assets.
- ? Option C (Legal fees) is an operating expense if related to business operations.
- ? Option D (Utilities) is an operating expense because they are required to keep business operations running.
- ? Option B (Interest paid on income taxes) is a non-operating expense because it is not part of daily business operations but rather a financial or tax-related cost.

Reference:

GAAP Accounting Principles – Classification of Expenses Payroll.org – Payroll-Related Business Expenses

**NEW QUESTION 34**

- (Topic 1)

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

- A. Social Security Card
- B. U.
- C. Passport
- D. Voter's Registration Card
- E. Driver's License

**Answer:** B

**Explanation:**

Comprehensive and Detailed Explanation: According to Form I-9, Employment Eligibility Verification, an unexpired U.S. passport is a List A document that establishes both an employee's identity and work authorization. A Social Security card (Option A) is a List C document, which only proves employment authorization but not identity. A Voter's Registration Card (Option C) is not an acceptable I-9 document for identity or work authorization. A Driver's License (Option D) is a List B document, which only proves identity but not employment eligibility.  
Reference:  
U.S. Citizenship and Immigration Services (USCIS) – Form I-9 Instructions Payroll.org – Employment Eligibility Verification Guidelines

**NEW QUESTION 35**

- (Topic 1)

Which of the following master file components is NOT part of the employment data?

- A. Shift Premium
- B. Workweek
- C. Hire Date
- D. Net Pay

**Answer:** D

**Explanation:**

Comprehensive and Detailed Explanation: An employee master file contains employment-related data such as:  
? Shift Premium (A): Used to calculate earnings.  
? Workweek (B): Defines payroll schedules.  
? Hire Date (C): Essential for tenure and benefit eligibility.  
However, Net Pay (D) is NOT part of employment data because it is a payroll outcome, not an employment record.  
Reference:  
Payroll.org – Employee Master File Data Requirements IRS – Payroll Recordkeeping Guidelines

**NEW QUESTION 38**

- (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 39**

- (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 40**

- (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 the Fair Labor Standards Act (FLSA), "white-collar exemptions" apply to certain 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 incorrect because this role does not qualify for exemption under the FLSA white-collar rules. Only certain IT professionals (software engineers, systems analysts, etc.) qualify under the Computer Employee Exemption.

Reference:

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

**NEW QUESTION 44**

- (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 46**

- (Topic 1)

A company has engaged an individual to write a sales contract. The individual receives a flat amount for the task and has an assigned time frame for completion. This individual is classified as a(n):

- A. Leased Employee
- B. Administrative Employee
- C. Independent Contractor
- D. Commissioned Salesperson

**Answer: C**

**Explanation:**

Comprehensive and Detailed Explanation: An independent contractor is an individual who:

? Works on a per-project basis

? Is not under direct employer control

? Provides services to multiple clients

? Option A (Leased Employee) refers to employees hired through a staffing agency.  
? Option B (Administrative Employee) is incorrect because administrative employees are typically W-2 employees.  
? Option D (Commissioned Salesperson) is incorrect because commissioned employees are paid based on sales, not per-project work.  
Reference:  
IRS – Independent Contractor vs. Employee Guidelines Payroll.org – Worker Classification Compliance

#### NEW QUESTION 50

- (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 54

- (Topic 1)

As of December 31, 2024, what is the MAXIMUM amount, if any, a 49-year-old employee can contribute to a 401(k) plan?

- A. \$7,500.00
- B. \$23,000.00
- C. \$30,500.00
- D. No Limit

**Answer: B**

#### Explanation:

Comprehensive and Detailed Explanation: For 2024, the 401(k) contribution limits:

- ? \$23,000.00 for employees under 50 years old.
  - ? \$30,500.00 for employees 50 and older (includes \$7,500 catch-up contribution).
- Since the employee is 49 years old, they do not qualify for the catch-up contribution, so the maximum contribution is \$23,000.00.

Reference:

IRS – 401(k) Contribution Limits for 2024 Payroll.org – Retirement Plan Payroll Compliance

#### NEW QUESTION 57

- (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 62

- (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 65**

- (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 67**

- (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 72**

- (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 76**

- (Topic 2)

Proper documentation of policies and procedures ensures:

- A. Responsibility.
- B. Adaptability.

- C. Conformity.
- D. Uniformity.

**Answer:** D

**Explanation:**

- ? Proper documentation ensures uniformity in payroll and HR operations by standardizing processes.
  - ? Conformity (C) refers to compliance but does not guarantee process standardization.
  - ? Responsibility (A) and adaptability (B) are important but not the primary reason for documentation.
- References:
- ? Payroll Process Standardization Guide (Payroll.org)

**NEW QUESTION 79**

- (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 82**

- (Topic 2)

Under the FLSA, failure to pay overtime to employees may result in all of the following consequences EXCEPT:

- A. Back pay
- B. Settlement pay
- C. A USCIS audit
- D. A DOL investigation

**Answer:** C

**Explanation:**

- ? USCIS audits (C) are related to immigration compliance, not overtime violations.
- ? DOL investigations (D) and back pay requirements (A) are common FLSA enforcement actions.
- ? Settlement pay (B) may be required in legal resolutions of wage disputes. References:
- ? FLSA Overtime Enforcement Guidelines (DOL)
- ? Payroll Compliance Guide (Payroll.org)

**NEW QUESTION 84**

- (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 87**

- (Topic 2)

The MAXIMUM amount a 52-year-old employee can contribute to their 401(k) plan is:

- A. \$22,500.00
- B. \$23,000.00
- C. \$30,000.00
- D. \$30,500.00

**Answer:** C

**Explanation:**

- ? In 2024, the 401(k) contribution limit for employees under 50 is \$22,500.
- ? For employees age 50 or older, an additional "catch-up" contribution of \$7,500 is allowed.
- ? Total maximum contribution = \$22,500 + \$7,500 = \$30,000. References:
- ? IRS 401(k) Contribution Limits for 2024

**NEW QUESTION 92**

- (Topic 2)

The monthly account reconciliation should include all of the following procedures EXCEPT:

- A. Balance the payroll tax liabilities
- B. Reconciling the payroll bank account
- C. Balance the payroll deduction liabilities
- D. Reconcile the payroll register to source documents

**Answer:** D

**Explanation:**

- ? Payroll account reconciliation ensures all financial data is accurate and balanced.
- ? Payroll register reconciliation (D) is a separate process used for payroll audits, not monthly account reconciliation.

References:

- ? Payroll Reconciliation Procedures (Payroll.org)
- ? IRS Payroll Recordkeeping Guidelines

**NEW QUESTION 97**

- (Topic 2)

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

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

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

**Answer:** D

**Explanation:**

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

**NEW QUESTION 102**

- (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 105**

- (Topic 2)

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

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

**Answer: B**

**Explanation:**

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

References:

- ? Payroll.org, Business Continuity and Disaster Recovery Guidelines
- ? IRS Publication 15 (Employer's Tax Guide)

**NEW QUESTION 108**

- (Topic 2)

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

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

**Answer: D**

**Explanation:**

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

? Since the system was not updated until October, payroll must recalculate all

affected quarters (1st, 2nd, and 3rd). References:

- ? SUI Tax Compliance Guide (Payroll.org)
- ? IRS Publication 15 (Employer's Tax Guide)

**NEW QUESTION 110**

- (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 114**

- (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 119**

- (Topic 2)

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

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

**Answer: B**

**Explanation:**

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

**NEW QUESTION 121**

- (Topic 2)

Under the FMLA, employers MUST maintain related leave records for how many years?

- A. 1
- B. 3
- C. 4
- D. 5

**Answer: B**

**Explanation:**

- ? The Family and Medical Leave Act (FMLA) requires employers to keep FMLA-related records for at least 3 years.
- ? These records include:
- ? The DOL may audit these records to ensure FMLA compliance. References:
- ? FMLA Recordkeeping Requirements (DOL)
- ? Payroll Record Retention Guidelines (Payroll.org)

**NEW QUESTION 123**

- (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 124**

- (Topic 2)

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

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

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

**Answer:** A

**Explanation:**

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

**NEW QUESTION 126**

- (Topic 2)

Employees may report tips to the employer using:

- A. Form 940
- B. Form 941
- C. Form 4070
- D. Form 8027

**Answer:** C

**Explanation:**

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

**NEW QUESTION 131**

- (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 134**

- (Topic 2)

Using the table of taxable wages below, calculate the employer's FICA tax liability on the first check of the year:

Employee	Taxable Wages
Employee 1	\$5,000.00
Employee 2	\$10,000.00
Employee 3	\$7,500.00
Employee 4	\$1,000.00
Employee 5	\$15,000.00

- A. \$2,387.00
- B. \$2,945.25
- C. \$5,890.50
- D. \$11,415.25

**Answer:** B

**Explanation:**

- ? Total Taxable Wages:
- ? Social Security Tax (6.2%)
- ? Medicare Tax (1.45%)
- ? Total FICA Tax (Employer's share) References:
- ? IRS Publication 15 (Employer's Tax Guide)

**NEW QUESTION 137**

- (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 141**

- (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 146**

- (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 148**

- (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 149**

- (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 154**

- (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 157**

- (Topic 2)

An employee receives \$1,600.00 biweekly from their employer. Using the following information, calculate the total amount of voluntary deductions.

Deduction Type	Amount
Federal income tax	\$116.00
Social Security tax	\$93.00
Medicare tax	\$21.75
401(k)	\$160.00
Medical insurance	\$85.00
Dental insurance	\$15.00
Tax levy	\$35.00
Partial direct deposit	\$500.00

- A. \$760.00
- B. \$660.00
- C. \$205.00
- D. \$260.00

**Answer:** B

**Explanation:**

Voluntary deductions include:

? 401(k): \$160.00

? Medical insurance: \$85.00

? Dental insurance: \$15.00

Total voluntary deductions:  $\$160 + \$85 + \$15 = \$260.00$

Federal income tax, Social Security, Medicare, and tax levies are mandatory deductions, so they are NOT included in voluntary deductions.

References:

? IRS Publication 15 (Circular E)

? Payroll Source®, Payroll.org

**NEW QUESTION 159**

- (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 161**

- (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 164**

- (Topic 2)

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

- A. Urgent and important
- B. Not urgent but important
- C. Urgent but not important
- D. Not urgent and not important

**Answer: D**

**Explanation:**

The Eisenhower Matrix is a time management framework that categorizes tasks by urgency and importance:

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

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

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

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

References:

? Eisenhower Matrix Time Management Framework

? Payroll Management Best Practices (Payroll.org)

**NEW QUESTION 165**

- (Topic 2)

The FINAL phase of the accounting process involves the:

- A. Transactions
- B. Journal entries
- C. General ledger
- D. Financial statements

**Answer: D**

**Explanation:**

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

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

References:

? Payroll Accounting Standards (Payroll.org)

**NEW QUESTION 166**

- (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 168**

- (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 173**

- (Topic 2)

A state's minimum wage is \$0.60 higher than the federal minimum wage. Under the FLSA, for an employee age 20, what is the MINIMUM hourly rate an employer can pay the employee?

- A. \$4.25
- B. \$4.85
- C. \$7.25
- D. \$7.85

**Answer:** D

**Explanation:**

- ? The federal minimum wage is \$7.25 per hour.
- ? A state's minimum wage is \$0.60 higher, so  $\$7.25 + \$0.60 = \$7.85$ .
- ? FLSA requires the higher of state or federal minimum wage. References:
- ? FLSA Minimum Wage Provisions (Department of Labor)

**NEW QUESTION 175**

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