

### Payroll System Procedures

#### True / False Questions

1. The two main focuses of payroll procedures are company needs and governmental rules.

True False

2. Employers may choose to omit the employees' Social Security numbers in their employee files.

True False

3. Semimonthly payroll involves a pay cycle in which pay disbursements occur every two weeks.

True False

4. Newly hired employees must be reported to governmental officials within 20 days of starting working with an employer.

True False

5. Foreign workers in the United States are subject to new hire reporting regulations.

True False

6. A worker who sells life insurance on a full-time basis is considered a statutory employee.

True False

7. U.S. workers in foreign subsidiaries are exempt from income taxes.

True False

8. Pay rate is the first payroll system decision a company must make.

True False

9. Holiday hours, sick time taken, and vacation days are not considered in the worked hours for overtime computation.

True False

10. Separation of duties is not considered a payroll best practice.

True False

## Multiple Choice Questions

11. Which of the following is not an important decision that an employer must make regarding its payroll procedures?

A. How often to pay employees?

B. How to handle pay advances?

C. How many employees to hire?

D. Which employee benefits to offer?

12. Which of the following items must exist in every employee's payroll file?
- A. Spouse's social security number
  - B. Employment history
  - C. Spouse's birth date
  - D. Occupation
13. According to the Fair Labor Standards Act, why must pay period information be a part of an employee's payroll file?
- A. As a means of tracking time worked for overtime compensation purposes.
  - B. To ensure that the employee receives all compensation earned.
  - C. As a means of ensuring pay equality among employees.
  - D. To document satisfaction of court-ordered obligations.
14. Which of the following is not a purpose of new hire reporting laws?
- A. To ensure payment of court-ordered obligations like garnishments and child support.
  - B. To keep track of workers throughout their careers.
  - C. To ensure that the employee may legally work in the United States.
  - D. To keep track of workers and professionals who are subject to licensing regulations.

15. Which pay frequency has 24 pay periods annually?
- A. Weekly
  - B. Biweekly
  - C. Semimonthly
  - D. Semiweekly
16. Which pay frequency has 26 pay periods per year?
- A. Bimonthly
  - B. Biweekly
  - C. Semimonthly
  - D. Semiweekly
17. Which of the following is not a commonly used pay frequency?
- A. Daily
  - B. Weekly
  - C. Monthly
  - D. Semimonthly

18. What form is the first step in employer documentation?
- A. W-4
  - B. I-9
  - C. SS-4
  - D. W-2
19. Ibrahim is the payroll accountant for a firm. He notes that the firm has hired a new employee. What forms must he collect from the new employee?
- A. W-2 and I-9
  - B. W-4 and I-9
  - C. W-4 and I-8
  - D. W-3 and I-9
20. If a firm pays its employees biweekly, how often does it disburse employee compensation?
- A. Twice per week
  - B. Every week
  - C. Every two weeks
  - D. Every three weeks

21. Why is it important for an employer to classify a worker as either an employee or an independent contractor?
- A. For tax reporting purposes
  - B. For child support obligations purposes
  - C. For government tracking purposes
  - D. For reimbursement purposes
22. Which of the following is not a purpose of new hire reporting?
- A. Immigration agency tracking
  - B. COBRA benefits administration
  - C. Communications of ethics violations for clerical workers
  - D. Child support obligations tracking
23. An employer must have an employee complete Form W-4:
- A. Before each pay disbursement.
  - B. Each year, upon the employee's anniversary with the firm.
  - C. Every January 1.
  - D. At the time of hire.

24. Josh, who is 21 years of age, is a new employee of XYZ Company. To establish his identity and employment authorization, he could present:
- A. His current United States passport.
  - B. His library card and birth certificate.
  - C. His driver's license and ATM card.
  - D. His college transcript and driver's license.
25. Which items must be contained in every hiring packet issued by an employer?
- A. Forms W-4 and I-9
  - B. Employment contract with start date and pay agreement
  - C. Descriptions of benefits and enrollment forms
  - D. No items are mandated for issuance in a hiring packet
26. The \_\_\_\_\_ mandated that new hires must be reported within \_\_\_\_\_ days to state authorities.
- A. Fair Labor Standards Act, 30.
  - B. Immigration Reform Act, 20.
  - C. Civil Rights Act, 25.
  - D. Davis-Bacon Act, 28.

27. Multistate employers must not do which of the following for new hire reporting:
- A. File a report with the state offices for the employee's state of residence
  - B. File a report with the IRS since they have employees in multiple states
  - C. Designate which state will receive their new hire reporting
  - D. File a new-hire report with both states that contains the firm's headquarters and the state that is the employee's primary residence
28. Which entity bears the responsibility for gaining approval for a foreign worker visa so a foreign employee may work legally in the United States?
- A. The employer
  - B. The employee
  - C. The U.S. State Department
  - D. The employer's home country
29. Abigail is a full-time worker whose primary occupation involves extensive overnight travel to visit wholesaler sites on the behalf of a single company. Which of the following classifications most accurately describes Abigail's employment status?
- A. Independent contractor
  - B. Exempt employee
  - C. Nonexempt employee
  - D. Statutory employee



30. Allen is an employee of the foreign subsidiary of a United States based company who lives and work in the United Kingdom. According to FATCA, how much of his wages may Allen exclude from United States' taxes, according to 2015 guidelines?
- A. None
  - B. \$46,500
  - C. \$79,850
  - D. \$100,800
31. Which of the following factors is not a determinant in pay rate?
- A. Employee skill
  - B. Company location
  - C. Employee age
  - D. Industry benchmarks
32. Georgeanne works in a company for which her primary job function is the sale of company products to consumers. She receives a percentage of each sale. Her compensation contains a \_\_\_\_\_ element.
- A. Piece-rate
  - B. Commission
  - C. Pay-for-performance
  - D. Nonexempt

33. Stan works for a bakery for which part of his compensation is based on the decoration of wedding and other specialty cakes. His compensation has a \_\_\_\_\_ element.
- A. Performance incentive
  - B. Commission
  - C. Piece-rate
  - D. Nonexempt
34. Which of the following is not subject to overtime in the process of hourly computations?
- A. Time worked in excess of eight hours per day
  - B. Holiday, sick time, and paid time off
  - C. Time worked in excess of 40 hours per week
  - D. Nonexempt employee weekend work
35. Which of the following is pervasive in the accounting system?
- A. Internal review
  - B. Audit control
  - C. Internal control
  - D. Audit review

36. A payroll review process increases in complexity when:
- A. The company is has few departments and few employees.
  - B. The company is not geographically dispersed.
  - C. The company is centralized and uses one location.
  - D. The company has multiple departments and many employees.
37. Outsourcing the payroll process:
- A. Relieves the company of the task completion and the review process.
  - B. Relieves the company of some of the task completion but not the review process.
  - C. Relieves the company of all liability for payroll completion and accuracy.
  - D. Relieves the company of the review process but not the task completion.
38. A company should assign \_\_\_\_\_ employee(s) the responsibility for signing payroll checks and disbursements.
- A. A limited number of
  - B. Only one
  - C. Its most responsible
  - D. None of  
the

39. Which of the following is not a consequence of incorrect calculation of employee time for payroll purposes?
- A. Federal penalties for not remitting all taxes due
  - B. Erosion of available cash because of overpayments to employees
  - C. Increased stakeholder approval due to employee overpayments
  - D. An increase in legal proceedings initiated by employees
40. For payroll documentation purposes, when an employee needs time away from work:
- A. The supervisor should authorize it verbally.
  - B. The employee should email only department colleagues.
  - C. Upper management must approve the request.
  - D. The request should be documented and forwarded to the payroll clerk.
41. When a payroll clerk receives an approved request for an employee's time away from work, he or she should:
- A. Immediately place it in the employee's file.
  - B. Attach it to the employee's time collection report for the pay period.
  - C. Destroy the document in accordance with privacy laws.
  - D. Contact the employee to verify the request.

42. A company should restrict access to payroll files (paper and/or electronic) as a part of

\_\_\_\_\_.

- A. File security internal controls
- B. Audit trail requirements
- C. Compliance with company policy
- D. FATCA requirements

43. Which aspect of internal controls for payroll relates to the Sarbanes Oxley Act?

- A. Protecting employee retirement funds
- B. Limiting the number of employees authorized to disburse payroll
- C. Cross-training employees and altering duties
- D. Ensuring the complexity of the audit trail

44. Explain Pay Records and Employee File Maintenance is the responsibility of the:

- A. Employee.
- B. Employer.
- C. Payroll vendor.
- D. State government.

45. Computerized payroll records are considered a(n):
- A. Open system.
  - B. Open access.
  - C. Closed system.
  - D. Closed access.
46. When developing the Describe Internal Controls and Record Retention for a Payroll System, a company should:
- A. Involve all company employees to promote transparency.
  - B. Develop a closed system and alternate employee duties.
  - C. Designate a single employee with the responsibility for pay disbursements.
  - D. Train accounting personnel on a single payroll task.
47. The retention period for payroll documents commences:
- A. At the time an employee is hired.
  - B. When an employee's first pay is disbursed.
  - C. Once the employee completes one year of service.
  - D. When an employee terminates employment.

48. Which of the following does not legally have access to a firm's payroll records?
- A. The IRS
  - B. State revenue department employees
  - C. All employees of the firm
  - D. The Department of Homeland Security
49. Which of the following is false about document destruction requirements?
- A. Federal legislation required documents to be retained for two years after the employee's termination.
  - B. Personnel records must be maintained for three years after termination.
  - C. Union employees' records must be retained for five years after termination.
  - D. State legislation requires records to be retained for a minimum of eight years after termination.
50. Mako was an employee of the Jaeger Corporation. After she voluntarily terminated employment, auditors discovered evidence of fraudulent activity that they traced to her. Mako's records must be retained:
- A. For 10 years.
  - B. For 15 years.
  - C. For 20 years.
  - D. Indefinitely.

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51. Max Johnson was terminated from a company because of a reduction in workforce. Which statement best describes his severance package requirements?
- A. No severance package is required.
  - B. He must receive at least one months' wages or salary.
  - C. He must receive a settlement equal to half his annual salary.
  - D. He must receive a fixed dollar amount because he was laid-off.
52. Natalie is involuntarily terminated by a company in Alabama. According to state regulations, when must she receive her final pay?
- A. On the next business day
  - B. No state guidelines exist
  - C. Within seven business days
  - D. At the next schedule payday
53. A firm needs to destroy paper payroll records after the end of the retention period. Which of the following is not an option?
- A. Shredding
  - B. Discarding
  - C. Pulping
  - D. Burning



54. Geoff is the payroll clerk for a firm that maintains its payroll through computerized records on a centralized server. One of his responsibilities is Explain Pay Records and Employee File Maintenance, including the destruction of records after the retention time has elapsed. His method of purging employee records is to delete the file from the database. What other record destruction procedures should Geoff follow?
- A. None. His method is acceptable.
  - B. He should check all other employees' computers to ensure that the record is deleted.
  - C. He should purge the record from the server and all backups.
  - D. He should send an interoffice request to have someone in the information technology department remove the record from the server.
55. What is the difference between termination and resignation, as far as final pay is concerned?
- A. Resignation pay may be paid at the next regular pay day, but termination pay is subject to state law.
  - B. Resignation and termination pay are subject to state regulations.
  - C. Resignation pay must be paid within one week and termination pay must be the next business day.
  - D. Resignation pay must be paid on the next business day and termination pay is due immediately.
56. Upon termination, which of the following is part of an employee's final pay?
- A. Hours worked
  - B. Vacation previously paid.
  - C. Severance pay
  - D. Sick time accrued but not used.

57. A payroll accountant is preparing the final pay for a commission-based salesperson who has been terminated from the firm. What will happen to the salesperson's commission that have been earned but not paid?
- A. The salesperson must receive termination pay immediately and forfeits all unpaid commissions.
  - B. The salesperson's final pay is delayed to allow for computation of commissions.
  - C. The final pay must include all commissions earned, in accordance with any pay agreement.
  - D. The employee must receive final non-commission pay immediately, but any commission pay will be delayed.
58. What types of records does IRS Regulation 26 CFR 1.6001 not cover?
- A. Manual pay records
  - B. Computerized pay records
  - C. Outsourced payroll records
  - D. Independent contractor remittance
59. Well-designed internal controls do not promote:
- A. Legal compliance and file integrity.
  - B. Opportunities for defalcation.
  - C. Protection against embezzlement.
  - D. Audit trail support.

60. All executive compensation must be:
- A. Maintained in a file and purged annually.
  - B. Available for inspection by any interested party.
  - C. Annotated as to derivation and benchmarks.
  - D. Reported with the company's financial statements.
61. Individuals treated as \_\_\_\_\_ are processed as vendors.
- A. Exempt employees.
  - B. Nonexempt employees.
  - C. Government contract employees.
  - D. Independent contractors.
62. \_\_\_\_\_ payroll is processed every two weeks and will usually result in a lower gross pay per pay period than \_\_\_\_\_ payroll.
- A. Weekly; monthly.
  - B. Semimonthly; biweekly.
  - C. Biweekly; semimonthly.
  - D. Daily; biweekly.

63. Form I-9 is issued by the \_\_\_\_\_ to verify employment eligibility in the United States.

- A. Internal Revenue Service
- B. Department of Homeland Security
- C. Federal Bureau of Investigation
- D. Department of Labor

64. Personnel in certain full-time occupations are classified as \_\_\_\_\_ instead of independent contractors.

- A. Contract employees
- B. Executive workers
- C. Statutory employees
- D. Non-statutory workers

65. FATCA enforcement has been difficult because the Internal Revenue Service relies on \_\_\_\_\_ for reporting purposes.

- A. Intermediaries (e.g., banks)
- B. Employers and employees
- C. Foreign countries
- D. Personal income tax returns

66. \_\_\_\_\_ pay is based on sales revenue, while \_\_\_\_\_ pay is based on manufacturing.
- A. Exempt; nonexempt
  - B. Commission; overtime
  - C. Piece-rate; commission
  - D. Commission: piece-rate
67. Verification of hours worked and pay accuracy is part of the \_\_\_\_\_.
- A. Disbursement cycle.
  - B. Accounts payable reconciliation.
  - C. CEO's responsibility.
  - D. Payroll review process.
68. IRS Regulation 26 CFR 1.6001 mandates \_\_\_\_\_ procedures as they pertain to payroll records, noting that it is the responsibility of the \_\_\_\_\_.
- A. File maintenance; employer.
  - B. Payroll review; payroll supervisor.
  - C. Check authorization; controller.
  - D. Employee time review; department manager.

69. Upon termination from a firm, employer must disburse the former employee's final pay \_\_\_\_\_.

- A. Immediately.
- B. Within 24 hours.
- C. At the next scheduled payday.
- D. No federal regulation exists.

70. Payroll records that contain evidence of fraud or other illegal action must be \_\_\_\_\_.

- A. retained for two years.
- B. destroyed immediately.
- C. retained indefinitely.
- D. released to law enforcement officials.

## Chapter 02 Payroll System Procedures **Answer Key**

### True / False Questions

1. The two main focuses of payroll procedures are company needs and governmental rules.

TRUE

*AACSB: Analytic*

*AICPA: BB Industry*

*AICPA: FN Reporting*

*Blooms: Understand*

*Difficulty: Easy*

*Learning Objective: 02-01 Identify Important Payroll Procedures and Pay Cycles*

*Topic: Identify Important Payroll Procedures and Pay Cycles*

2. Employers may choose to omit the employees' Social Security numbers in their employee files.

FALSE

*AACSB: Analytic*

*AICPA: BB Resource Management*

*AICPA: FN Decision Making*

*Blooms: Understand*

*Difficulty: Easy*

*Learning Objective: 02-01 Identify Important Payroll Procedures and Pay Cycles*

*Topic: Identify Important Payroll Procedures and Pay Cycles*

3. Semimonthly payroll involves a pay cycle in which pay disbursements occur every two weeks.

FALSE

*AACSB: Analytic*

*AICPA: BB Industry*

*AICPA: FN Measurement*

*Blooms: Apply*

*Difficulty: Easy*

*Learning Objective: 02-01 Identify Important Payroll Procedures and Pay Cycles*

*Topic: Identify Important Payroll Procedures and Pay Cycles*

4. Newly hired employees must be reported to governmental officials within 20 days of starting working with an employer.

TRUE

*AACSB: Communication*

*AICPA: BB Legal*

*AICPA: FN Reporting*

*Blooms: Understand*

*Difficulty: Easy*

*Learning Objective: 02-02 Prepare Required Employee Documentation*

*Topic: Prepare Required Employee Documentation*

5. Foreign workers in the United States are subject to new hire reporting regulations.

TRUE

*AACSB: Diversity*

*AICPA: BB Legal*

*AICPA: FN Reporting*

*Blooms: Apply*

*Difficulty: Medium*

*Learning Objective: 02-02 Prepare Required Employee Documentation*

*Topic: Prepare Required Employee Documentation*

6. A worker who sells life insurance on a full-time basis is considered a statutory employee.

TRUE

*AACSB: Reflective Thinking*

*AICPA: BB Industry*

*AICPA: FN Decision Making*

*Blooms: Apply*

*Difficulty: Easy*

*Learning Objective: 02-02 Prepare Required Employee Documentation*

*Topic: Prepare Required Employee Documentation*

7. U.S. workers in foreign subsidiaries are exempt from income taxes.

FALSE

*AACSB: Diversity*

*AICPA: BB Critical Thinking*

*AICPA: FN Reporting*

*Blooms: Apply*

*Difficulty: Medium*



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*Learning Objective: 02-02 Prepare Required Employee Documentation*

*Topic: Prepare Required Employee Documentation*

8. Pay rate is the first payroll system decision a company must make.

FALSE

*AACSB: Reflective Thinking*

*AICPA: BB Critical Thinking*

*AICPA: FN Measurement*

*Blooms: Apply*

*Difficulty: Medium*

*Learning Objective: 02-03 Explain Pay Records and Employee File Maintenance*

*Topic: Explain Pay Records and Employee File Maintenance*

9. Holiday hours, sick time taken, and vacation days are not considered in the worked hours for overtime computation.

TRUE

*AACSB: Analytic*

*AICPA: BB Industry*

*AICPA: FN Decision Making*

*Blooms: Analyze*

*Difficulty: Medium*

*Learning Objective: 02-03 Explain Pay Records and Employee File Maintenance*

*Topic: Explain Pay Records and Employee File Maintenance*

10. Separation of duties is not considered a payroll best practice.

FALSE

*AACSB: Reflective Thinking*

*AICPA: BB Critical Thinking*

*AICPA: FN Decision Making*

*Blooms: Evaluate*

*Difficulty: Medium*

*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*

*Topic: Describe Internal Controls and Record Retention for a Payroll System*

## Multiple Choice Questions

11. Which of the following is not an important decision that an employer must make regarding its payroll procedures?
- A. How often to pay employees?
  - B. How to handle pay advances?
  - C. How many employees to hire?
  - D. Which employee benefits to offer?

*AACSB: Reflective Thinking*

*AICPA: BB Resource Management*

*AICPA: FN Decision Making*

*Blooms: Evaluate*

*Difficulty: Medium*

*Learning Objective: 02-01 Identify Important Payroll Procedures and Pay Cycles*

*Topic: Identify Important Payroll Procedures and Pay Cycles*

12. Which of the following items must exist in every employee's payroll file?
- A. Spouse's social security number
  - B. Employment history
  - C. Spouse's birth date
  - D. Occupation

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*AICPA: BB Legal*

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*Blooms: Analyze*

*Difficulty: Medium*

*Learning Objective: 02-01 Identify Important Payroll Procedures and Pay Cycles*

*Topic: Identify Important Payroll Procedures and Pay Cycles*

13. According to the Fair Labor Standards Act, why must pay period information be a part of an employee's payroll file?

- A. As a means of tracking time worked for overtime compensation purposes.
- B. To ensure that the employee receives all compensation earned.
- C. As a means of ensuring pay equality among employees.
- D. To document satisfaction of court-ordered obligations.

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*AICPA: BB Legal*

*AICPA: FN Reporting*

*Blooms: Analyze*

*Difficulty: Medium*

*Learning Objective: 02-01 Identify Important Payroll Procedures and Pay Cycles*

*Topic: Identify Important Payroll Procedures and Pay Cycles*

14. Which of the following is not a purpose of new hire reporting laws?

- A. To ensure payment of court-ordered obligations like garnishments and child support.
- B. To keep track of workers throughout their careers.
- C. To ensure that the employee may legally work in the United States.
- D. To keep track of workers and professionals who are subject to licensing regulations.

*AACSB: Analytic*

*AICPA: BB Legal*

*AICPA: FN Research*

*Blooms: Evaluate*

*Difficulty: Medium*

*Learning Objective: 02-02 Prepare Required Employee Documentation*

*Topic: Prepare Required Employee Documentation*

15. Which pay frequency has 24 pay periods annually?

- A. Weekly
- B. Biweekly
- C. Semi-monthly
- D. Semi-weekly

*AACSB: Analytic  
AICPA: BB Industry  
AICPA: FN Reporting  
Blooms: Remember  
Difficulty: Easy*

*Learning Objective: 02-01 Identify Important Payroll Procedures and Pay Cycles  
Topic: Identify Important Payroll Procedures and Pay Cycles*

16. Which pay frequency has 26 pay periods per year?

- A. Bimonthly
- B. Biweekly
- C. Semi-monthly
- D. Semi-weekly

*AACSB: Analytic  
AICPA: BB Industry  
AICPA: FN Reporting  
Blooms: Remember  
Difficulty: Easy*

*Learning Objective: 02-01 Identify Important Payroll Procedures and Pay Cycles  
Topic: Identify Important Payroll Procedures and Pay Cycles*

17. Which of the following is not a commonly used pay frequency?

- A. Daily
- B. Weekly
- C. Monthly
- D. Semimonthly

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AICPA: BB Industry  
AICPA: FN Reporting  
Blooms: Evaluate  
Difficulty: Medium*

*Learning Objective: 02-01 Identify Important Payroll Procedures and Pay Cycles  
Topic: Identify Important Payroll Procedures and Pay Cycles*

18. What form is the first step in employer documentation?

- A. W-4
- B. I-9
- C. SS-4
- D. W-2

*AACSB: Reflective Thinking  
AICPA: BB Legal  
AICPA: FN Reporting  
Blooms: Apply  
Difficulty: Medium*

*Learning Objective: 02-01 Identify Important Payroll Procedures and Pay Cycles  
Topic: Identify Important Payroll Procedures and Pay Cycles*

19. Ibrahim is the payroll accountant for a firm. He notes that the firm has hired a new employee. What forms must he collect from the new employee?

- A. W-2 and I-9
- B. W-4 and I-9
- C. W-4 and I-8
- D. W-3 and I-9

*AACSB: Communication*

*AICPA: BB Legal*

*AICPA: FN Reporting*

*Blooms: Apply*

*Difficulty: Easy*

*Learning Objective: 02-02 Prepare Required Employee Documentation*

*Topic: Prepare Required Employee Documentation*

20. If a firm pays its employees biweekly, how often does it disburse employee compensation?

- A. Twice per week
- B. Every week
- C. Every two weeks
- D. Every three weeks

*AACSB: Reflective Thinking*

*AICPA: BB Resource Management*

*AICPA: FN Decision Making*

*Blooms: Apply*

*Difficulty: Easy*

*Learning Objective: 02-01 Identify Important Payroll Procedures and Pay Cycles*

*Topic: Identify Important Payroll Procedures and Pay Cycles*

21. Why is it important for an employer to classify a worker as either an employee or an independent contractor?

- A. For tax reporting purposes
- B. For child support obligations purposes
- C. For government tracking purposes
- D. For reimbursement purposes

*AACSB: Reflective Thinking*

*AICPA: BB Legal*

*AICPA: FN Reporting*

*Blooms: Evaluate*

*Difficulty: Medium*

*Learning Objective: 02-02 Prepare Required Employee Documentation*

*Topic: Prepare Required Employee Documentation*

22. Which of the following is not a purpose of new hire reporting?

- A. Immigration agency tracking
- B. COBRA benefits administration
- C. Communications of ethics violations for clerical workers
- D. Child support obligations tracking

*AACSB: Reflective Thinking*

*AICPA: BB Critical Thinking*

*AICPA: FN Reporting*

*Blooms: Evaluate*

*Difficulty: Medium*

*Learning Objective: 02-02 Prepare Required Employee Documentation*

*Topic: Prepare Required Employee Documentation*

23. An employer must have an employee complete Form W-4:
- A. Before each pay disbursement.
  - B. Each year, upon the employee's anniversary with the firm.
  - C. Every January 1.
  - D. At the time of hire.

*AACSB: Communication*

*AICPA: BB Legal*

*AICPA: FN Reporting*

*Blooms: Evaluate*

*Difficulty: Medium*

*Learning Objective: 02-02 Prepare Required Employee Documentation*

*Topic: Prepare Required Employee Documentation*

24. Josh, who is 21 years of age, is a new employee of XYZ Company. To establish his identity and employment authorization, he could present:
- A. His current United States passport.
  - B. His library card and birth certificate.
  - C. His driver's license and ATM card.
  - D. His college transcript and driver's license.

*AACSB: Communication*

*AICPA: BB Legal*

*AICPA: FN Reporting*

*Blooms: Apply*

*Difficulty: Medium*

*Learning Objective: 02-02 Prepare Required Employee Documentation*

*Topic: Prepare Required Employee Documentation*



25. Which items must be contained in every hiring packet issued by an employer?

- A. Forms W-4 and I-9
- B. Employment contract with start date and pay agreement
- C. Descriptions of benefits and enrollment forms
- D. No items are mandated for issuance in a hiring packet

*AACSB: Reflective Thinking*

*AICPA: BB Critical Thinking*

*AICPA: FN Decision Making*

*Blooms: Evaluate*

*Difficulty: Medium*

*Learning Objective: 02-02 Prepare Required Employee Documentation*

*Topic: Prepare Required Employee Documentation*

26. The \_\_\_\_\_ mandated that new hires must be reported within \_\_\_\_\_ days to state authorities.

- A. Fair Labor Standards Act, 30.
- B. Immigration Reform Act, 20.
- C. Civil Rights Act, 25.
- D. Davis-Bacon Act, 28.

*AACSB: Reflective Thinking*

*AICPA: BB Legal*

*AICPA: FN Research*

*Blooms: Analyze*

*Difficulty: Medium*

*Learning Objective: 02-02 Prepare Required Employee Documentation*

*Topic: Prepare Required Employee Documentation*

27. Multistate employers must not do which of the following for new hire reporting:

- A. File a report with the state offices for the employee's state of residence
- B. File a report with the IRS since they have employees in multiple states
- C. Designate which state will receive their new hire reporting
- D. File a new-hire report with both states that contains the firm's headquarters and the state that is the employee's primary residence

*AACSB: Communication*

*AICPA: BB Legal*

*AICPA: FN Reporting*

*Blooms: Analyze*

*Difficulty: Medium*

*Learning Objective: 02-02 Prepare Required Employee Documentation*

*Topic: Prepare Required Employee Documentation*

28. Which entity bears the responsibility for gaining approval for a foreign worker visa so a foreign employee may work legally in the United States?

- A. The employer
- B. The employee
- C. The U.S. State Department
- D. The employer's home country

*AACSB: Diversity*

*AICPA: BB Resource Management*

*AICPA: FN Research*

*Blooms: Analyze*

*Difficulty: Medium*

*Learning Objective: 02-02 Prepare Required Employee Documentation*

*Topic: Prepare Required Employee Documentation*

29. Abigail is a full-time worker whose primary occupation involves extensive overnight travel to visit wholesaler sites on the behalf of a single company. Which of the following classifications most accurately describes Abigail's employment status?

- A. Independent contractor
- B. Exempt employee
- C. Nonexempt employee
- D. Statutory employee

*AACSB: Reflective Thinking*

*AICPA: BB Industry*

*AICPA: FN Decision Making*

*Blooms: Analyze*

*Difficulty: Hard*

*Learning Objective: 02-02 Prepare Required Employee Documentation*

*Topic: Prepare Required Employee Documentation*

30. Allen is an employee of the foreign subsidiary of a United States based company who lives and work in the United Kingdom. According to FATCA, how much of his wages may Allen exclude from United States' taxes, according to 2015 guidelines?

- A. None
- B. \$46,500
- C. \$79,850
- D. \$100,800

*AACSB: Diversity*

*AICPA: BB Legal*

*AICPA: FN Reporting*

*Blooms: Understand*

*Difficulty: Easy*

*Learning Objective: 02-02 Prepare Required Employee Documentation*

*Topic: Prepare Required Employee Documentation*

31. Which of the following factors is not a determinant in pay rate?

- A. Employee skill
- B. Company location
- C. Employee age
- D. Industry benchmarks

*AACSB: Reflective Thinking*

*AICPA: BB Legal*

*AICPA: FN Research*

*Blooms: Apply*

*Difficulty: Hard*

*Learning Objective: 02-03 Explain Pay Records and Employee File Maintenance*

*Topic: Explain Pay Records and Employee File Maintenance*

32. Georgette works in a company for which her primary job function is the sale of company products to consumers. She receives a percentage of each sale. Her compensation contains a \_\_\_\_\_ element.

- A. Piece-rate
- B. Commission
- C. Pay-for-performance
- D. Nonexempt

*AACSB: Analytic*

*AICPA: BB Resource Management*

*AICPA: FN Research*

*Blooms: Analyze*

*Difficulty: Easy*

*Learning Objective: 02-03 Explain Pay Records and Employee File Maintenance*

*Topic: Explain Pay Records and Employee File Maintenance*

33. Stan works for a bakery for which part of his compensation is based on the decoration of wedding and other specialty cakes. His compensation has a \_\_\_\_\_ element.

- A. Performance incentive
- B. Commission
- C. Piece-rate
- D. Nonexempt

*AACSB: Analytic*

*AICPA: BB Resource Management*

*AICPA: FN Research*

*Blooms: Analyze*

*Difficulty: Medium*

*Learning Objective: 02-03 Explain Pay Records and Employee File Maintenance*

*Topic: Explain Pay Records and Employee File Maintenance*

34. Which of the following is not subject to overtime in the process of hourly computations?

- A. Time worked in excess of eight hours per day
- B. Holiday, sick time, and paid time off
- C. Time worked in excess of 40 hours per week
- D. Nonexempt employee weekend work

*AACSB: Analytic*

*AICPA: BB Legal*

*AICPA: FN Decision Making*

*Blooms: Analyze*

*Difficulty: Medium*

*Learning Objective: 02-03 Explain Pay Records and Employee File Maintenance*

*Topic: Explain Pay Records and Employee File Maintenance*

35. Which of the following is pervasive in the accounting system?

- A. Internal review
- B. Audit control
- C. Internal control
- D. Audit review

*AACSB: Reflective Thinking*

*AICPA: BB Critical Thinking*

*AICPA: FN Decision Making*

*Blooms: Apply*

*Difficulty: Hard*

*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*

*Topic: Describe Internal Controls and Record Retention for a Payroll System*

36. A payroll review process increases in complexity when:

- A. The company is has few departments and few employees.
- B. The company is not geographically dispersed.
- C. The company is centralized and uses one location.
- D. The company has multiple departments and many employees.

*AACSB: Analytic*

*AICPA: BB Resource Management*

*AICPA: FN Measurement*

*Blooms: Analyze*

*Difficulty: Medium*

*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*

*Topic: Describe Internal Controls and Record Retention for a Payroll System*

37. Outsourcing the payroll process:

- A. Relieves the company of the task completion and the review process.
- B. Relieves the company of some of the task completion but not the review process.
- C. Relieves the company of all liability for payroll completion and accuracy.
- D. Relieves the company of the review process but not the task completion.

*AACSB: Reflective Thinking*

*AICPA: BB Leveraging Technology*

*AICPA: FN Decision Making*

*Blooms: Evaluate*

*Difficulty: Hard*

*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*

*Topic: Describe Internal Controls and Record Retention for a Payroll System*

38. A company should assign \_\_\_\_\_ employee(s) the responsibility for signing payroll checks and disbursements.

- A. A limited number of
- B. Only one
- C. Its most responsible
- D. None of the

*AACSB: Reflective Thinking*

*AICPA: BB Resource Management*

*AICPA: FN Decision Making*

*Blooms: Apply*

*Difficulty: Medium*

*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*

*Topic: Describe Internal Controls and Record Retention for a Payroll System*

39. Which of the following is not a consequence of incorrect calculation of employee time for payroll purposes?

- A. Federal penalties for not remitting all taxes due
- B. Erosion of available cash because of overpayments to employees
- C. Increased stakeholder approval due to employee overpayments
- D. An increase in legal proceedings initiated by employees

*AACSB: Reflective Thinking*

*AICPA: BB Critical Thinking*

*AICPA: FN Reporting*

*Blooms: Evaluate*

*Difficulty: Hard*

*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*

*Topic: Describe Internal Controls and Record Retention for a Payroll System*

40. For payroll documentation purposes, when an employee needs time away from work:

- A. The supervisor should authorize it verbally.
- B. The employee should email only department colleagues.
- C. Upper management must approve the request.
- D. The request should be documented and forwarded to the payroll clerk.

*AACSB: Communication*

*AICPA: BB Resource Management*

*AICPA: FN Reporting*

*Blooms: Apply*

*Difficulty: Medium*

*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*

*Topic: Describe Internal Controls and Record Retention for a Payroll System*



41. When a payroll clerk receives an approved request for an employee's time away from work, he or she should:

- A. Immediately place it in the employee's file.
- B. Attach it to the employee's time collection report for the pay period.
- C. Destroy the document in accordance with privacy laws.
- D. Contact the employee to verify the request.

*AACSB: Communication*

*AICPA: BB Resource Management*

*AICPA: FN Reporting*

*Blooms: Apply*

*Difficulty: Medium*

*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*

*Topic: Describe Internal Controls and Record Retention for a Payroll System*

42. A company should restrict access to payroll files (paper and/or electronic) as a part of \_\_\_\_\_.

- A. File security internal controls
- B. Audit trail requirements
- C. Compliance with company policy
- D. FATCA requirements

*AACSB: Ethics*

*AICPA: BB Industry*

*AICPA: FN Risk Analysis*

*Blooms: Apply*

*Difficulty: Medium*

*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*

*Topic: Describe Internal Controls and Record Retention for a Payroll System*

43. Which aspect of internal controls for payroll relates to the Sarbanes Oxley Act?

- A. Protecting employee retirement funds
- B. Limiting the number of employees authorized to disburse payroll
- C. Cross-training employees and altering duties
- D. Ensuring the complexity of the audit trail

*AACSB: Reflective Thinking*

*AICPA: BB Critical Thinking*

*AICPA: FN Research*

*Blooms: Analyze*

*Difficulty: Medium*

*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*

*Topic: Describe Internal Controls and Record Retention for a Payroll System*

44. Employee file maintenance is the responsibility of the:

- A. Employee.
- B. Employer.
- C. Payroll vendor.
- D. State government.

*AACSB: Reflective Thinking*

*AICPA: BB Resource Management*

*AICPA: FN Decision Making*

*Blooms: Evaluate*

*Difficulty: Hard*

*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*

*Topic: Describe Internal Controls and Record Retention for a Payroll System*

45. Computerized payroll records are considered a(n):

- A. Open system.
- B. Open access.
- C. Closed system.
- D. Closed access.

*AACSB: Technology*

*AICPA: BB Leveraging Technology*

*AICPA: FN Leveraging Technology*

*Blooms: Understand*

*Difficulty: Easy*

*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*

*Topic: Describe Internal Controls and Record Retention for a Payroll System*

46. When developing the internal controls and record retention for a payroll system, a company should:

- A. Involve all company employees to promote transparency.
- B. Develop a closed system and alternate employee duties.
- C. Designate a single employee with the responsibility for pay disbursements.
- D. Train accounting personnel on a single payroll task.

*AACSB: Reflective Thinking*

*AICPA: BB Resource Management*

*AICPA: FN Decision Making*

*Blooms: Create*

*Difficulty: Hard*

*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*

*Topic: Describe Internal Controls and Record Retention for a Payroll System*

47. The retention period for payroll documents commences:

- A. At the time an employee is hired.
- B. When an employee's first pay is disbursed.
- C. Once the employee completes one year of service.
- D. When an employee terminates employment.

*AACSB: Analytic*

*AICPA: BB Resource Management*

*AICPA: FN Risk Analysis*

*Blooms: Analyze*

*Difficulty: Hard*

*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*

*Topic: Describe Internal Controls and Record Retention for a Payroll System*

48. Which of the following does not legally have access to a firm's payroll records?

- A. The IRS
- B. State revenue department employees
- C. All employees of the firm
- D. The Department of Homeland Security

*AACSB: Communication*

*AICPA: BB Resource Management*

*AICPA: FN Risk Analysis*

*Blooms: Evaluate*

*Difficulty: Medium*

*Learning Objective: 02-05 Discuss Employee Termination and Document Destruction Procedures*

*Topic: Discuss Employee Termination and Document Destruction Procedures*

49. Which of the following is false about document destruction requirements?

- A. Federal legislation required documents to be retained for two years after the employee's termination.
- B. Personnel records must be maintained for three years after termination.
- C. Union employees' records must be retained for five years after termination.
- D. State legislation requires records to be retained for a minimum of eight years after termination.

*AACSB: Analytic*

*AICPA: BB Legal*

*AICPA: FN Risk Analysis*

*Blooms: Evaluate*

*Difficulty: Hard*

*Learning Objective: 02-05 Discuss Employee Termination and Document Destruction Procedures*

*Topic: Discuss Employee Termination and Document Destruction Procedures*

50. Mako was an employee of the Jaeger Corporation. After she voluntarily terminated employment, auditors discovered evidence of fraudulent activity that they traced to her. Mako's records must be retained:

- A. For 10 years.
- B. For 15 years.
- C. For 20 years.
- D. Indefinitely.

*AACSB: Reflective Thinking*

*AICPA: BB Legal*

*AICPA: FN Risk Analysis*

*Blooms: Analyze*

*Difficulty: Medium*

*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*

*Topic: Describe Internal Controls and Record Retention for a Payroll System*

51. Max Johnson was terminated from a company because of a reduction in workforce. Which statement best describes his severance package requirements?

- A. No severance package is required.
- B. He must receive at least one months' wages or salary.
- C. He must receive a settlement equal to half his annual salary.
- D. He must receive a fixed dollar amount because he was laid-off.

*AACSB: Analytic*

*AICPA: BB Resource Management*

*AICPA: FN Research*

*Blooms: Analyze*

*Difficulty: Medium*

*Learning Objective: 02-05 Discuss Employee Termination and Document Destruction Procedures*

*Topic: Discuss Employee Termination and Document Destruction Procedures*

52. Natalie is involuntarily terminated by a company in Alabama. According to state regulations, when must she receive her final pay?

- A. On the next business day
- B. No state guidelines exist
- C. Within seven business days
- D. At the next schedule payday

*AACSB: Analytic*

*AICPA: BB Legal*

*AICPA: FN Decision Making*

*Blooms: Apply*

*Difficulty: Medium*

*Learning Objective: 02-05 Discuss Employee Termination and Document Destruction Procedures*

*Topic: Discuss Employee Termination and Document Destruction Procedures*

53. A firm needs to destroy paper payroll records after the end of the retention period. Which of the following is not an option?

- A. Shredding
- B. Discarding
- C. Pulping
- D. Burning

*AACSB: Reflective Thinking*

*AICPA: BB Resource Management*

*AICPA: FN Risk Analysis*

*Blooms: Understand*

*Difficulty: Easy*

*Learning Objective: 02-05 Discuss Employee Termination and Document Destruction Procedures*

*Topic: Discuss Employee Termination and Document Destruction Procedures*

54. Geoff is the payroll clerk for a firm that maintains its payroll through computerized records on a centralized server. One of his responsibilities is employee file maintenance, including the destruction of records after the retention time has elapsed. His method of purging employee records is to delete the file from the database. What other record destruction procedures should Geoff follow?

- A. None. His method is acceptable.
- B. He should check all other employees' computers to ensure that the record is deleted.
- C. He should purge the record from the server and all backups.
- D. He should send an interoffice request to have someone in the information technology department remove the record from the server.

*AACSB: Technology*

*AICPA: BB Leveraging Technology*

*AICPA: FN Leveraging Technology*

*Blooms: Evaluate*

*Difficulty: Hard*

*Learning Objective: 02-05 Discuss Employee Termination and Document Destruction Procedures*

*Topic: Discuss Employee Termination and Document Destruction Procedures*

55. What is the difference between termination and resignation, as far as final pay is concerned?

- A. Resignation pay may be paid at the next regular pay day, but termination pay is subject to state law.
- B. Resignation and termination pay are subject to state regulations.
- C. Resignation pay must be paid within one week and termination pay must be the next business day.
- D. Resignation pay must be paid on the next business day and termination pay is due immediately.

*AACSB: Analytic*

*AICPA: BB Industry*

*AICPA: FN Decision Making*

*Blooms: Apply*

*Difficulty: Medium*

*Learning Objective: 02-05 Discuss Employee Termination and Document Destruction Procedures*

*Topic: Discuss Employee Termination and Document Destruction Procedures*

56. Upon termination, which of the following is part of an employee's final pay?

- A. Hours worked
- B. Vacation previously paid.
- C. Severance pay
- D. Sick time accrued but not used.

*AACSB: Analytic*

*AICPA: BB Legal*

*AICPA: FN Reporting*

*Blooms: Analyze*

*Difficulty: Medium*

*Learning Objective: 02-05 Discuss Employee Termination and Document Destruction Procedures*

*Topic: Discuss Employee Termination and Document Destruction Procedures*



57. A payroll accountant is preparing the final pay for a commission-based salesperson who has been terminated from the firm. What will happen to the salesperson's commission that have been earned but not paid?
- A. The salesperson must receive termination pay immediately and forfeits all unpaid commissions.
  - B. The salesperson's final pay is delayed to allow for computation of commissions.
  - C. The final pay must include all commissions earned, in accordance with any pay agreement.
  - D. The employee must receive final non-commission pay immediately, but any commission pay will be delayed.

*AACSB: Analytic*

*AICPA: BB Critical Thinking*

*AICPA: FN Decision Making*

*Blooms: Evaluate*

*Difficulty: Hard*

*Learning Objective: 02-05 Discuss Employee Termination and Document Destruction Procedures*

*Topic: Discuss Employee Termination and Document Destruction Procedures*

58. What types of records does IRS Regulation 26 CFR 1.6001 not cover?
- A. Manual pay records
  - B. Computerized pay records
  - C. Outsourced payroll records
  - D. Independent contractor remittance

*AACSB: Analytic*

*AICPA: BB Legal*

*AICPA: FN Research*

*Blooms: Analyze*

*Difficulty: Hard*

*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*

*Topic: Describe Internal Controls and Record Retention for a Payroll System*

59. Well-designed internal controls do not promote:

- A. Legal compliance and file integrity.
- B. Opportunities for defalcation.
- C. Protection against embezzlement.
- D. Audit trail support.

*AACSB: Analytic*

*AICPA: BB Critical Thinking*

*AICPA: FN Research*

*Blooms: Evaluate*

*Difficulty: Hard*

*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*

*Topic: Describe Internal Controls and Record Retention for a Payroll System*

60. All executive compensation must be:

- A. Maintained in a file and purged annually.
- B. Available for inspection by any interested party.
- C. Annotated as to derivation and benchmarks.
- D. Reported with the company's financial statements.

*AACSB: Communication*

*AICPA: BB Resource Management*

*AICPA: FN Reporting*

*Blooms: Apply*

*Blooms: Evaluate*

*Difficulty: Medium*

*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*

*Topic: Describe Internal Controls and Record Retention for a Payroll System*

61. Individuals treated as \_\_\_\_\_ are processed as vendors.

- A. Exempt employees.
- B. Nonexempt employees.
- C. Government contract employees.
- D. Independent contractors.

*AACSB: Reflective Thinking*

*AICPA: BB Industry*

*AICPA: FN Reporting*

*Blooms: Understand*

*Difficulty: Easy*

*Learning Objective: 02-01 Identify Important Payroll Procedures and Pay Cycles*

*Learning Objective: 02-02 Prepare Required Employee Documentation*

*Topic: Identify Important Payroll Procedures and Pay Cycles*

62. \_\_\_\_\_ payroll is processed every two weeks and will usually result in a lower gross pay per pay period than \_\_\_\_\_ payroll.

- A. Weekly; monthly.
- B. Semimonthly; biweekly.
- C. Biweekly; semimonthly.
- D. Daily; biweekly.

*AACSB: Reflective Thinking*

*AICPA: BB Critical Thinking*

*AICPA: FN Measurement*

*Blooms: Analyze*

*Difficulty: Medium*

*Learning Objective: 02-01 Identify Important Payroll Procedures and Pay Cycles*

*Topic: Identify Important Payroll Procedures and Pay Cycles*

63. Form I-9 is issued by the \_\_\_\_\_ to verify employment eligibility in the United States.

- A. Internal Revenue Service
- B. Department of Homeland Security
- C. Federal Bureau of Investigation
- D. Department of Labor

*AACSB: Communication*

*AICPA: BB Legal*

*AICPA: FN Reporting*

*Blooms: Remember*

*Difficulty: Easy*

*Learning Objective: 02-02 Prepare Required Employee Documentation*

*Topic: Prepare Required Employee Documentation*

64. Personnel in certain full-time occupations are classified as \_\_\_\_\_ instead of independent contractors.

- A. Contract employees
- B. Executive workers
- C. Statutory employees
- D. Non-statutory workers

*AACSB: Analytic*

*AICPA: BB Industry*

*AICPA: FN Reporting*

*Blooms: Understand*

*Difficulty: Easy*

*Learning Objective: 02-02 Prepare Required Employee Documentation*

*Topic: Prepare Required Employee Documentation*

65. FATCA enforcement has been difficult because the Internal Revenue Service relies on \_\_\_\_\_ for reporting purposes.

- A. Intermediaries (e.g., banks)
- B. Employers and employees
- C. Foreign countries
- D. Personal income tax returns

*AACSB: Diversity*

*AICPA: BB Global*

*AICPA: FN Reporting*

*Blooms: Analyze*

*Difficulty: Medium*

*Learning Objective: 02-02 Prepare Required Employee Documentation*

*Topic: Prepare Required Employee Documentation*

66. \_\_\_\_\_ pay is based on sales revenue, while \_\_\_\_\_ pay is based on manufacturing.

- A. Exempt; nonexempt
- B. Commission; overtime
- C. Piece-rate; commission
- D. Commission; piece-rate

*AACSB: Reflective Thinking*

*AICPA: BB Industry*

*AICPA: FN Measurement*

*Blooms: Understand*

*Difficulty: Easy*

*Learning Objective: 02-03 Explain Pay Records and Employee File Maintenance*

*Topic: Explain Pay Records and Employee File Maintenance*

67. Verification of hours worked and pay accuracy is part of the \_\_\_\_\_.

- A. Disbursement cycle.
- B. Accounts payable reconciliation.
- C. CEO's responsibility.
- D. Payroll review process.

*AACSB: Analytic*

*AICPA: BB Critical Thinking*

*AICPA: FN Risk Analysis*

*Blooms: Apply*

*Difficulty: Medium*

*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*

*Topic: Describe Internal Controls and Record Retention for a Payroll System*

68. IRS Regulation 26 CFR 1.6001 mandates \_\_\_\_\_ procedures as they pertain to payroll records, noting that it is the responsibility of the \_\_\_\_\_.

- A. File maintenance; employer.
- B. Payroll review; payroll supervisor.
- C. Check authorization; controller.
- D. Employee time review; department manager.

*AACSB: Reflective Thinking*

*AICPA: BB Resource Management*

*AICPA: FN Risk Analysis*

*Blooms: Apply*

*Difficulty: Medium*

*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*

*Topic: Describe Internal Controls and Record Retention for a Payroll System*

69. Upon termination from a firm, employer must disburse the former employee's final pay \_\_\_\_\_.

- A. Immediately.
- B. Within 24 hours.
- C. At the next scheduled payday.
- D. No federal regulation exists.

*AACSB: Communication*

*AICPA: BB Legal*

*AICPA: FN Research*

*Blooms: Apply*

*Difficulty: Medium*

*Learning Objective: 02-05 Discuss Employee Termination and Document Destruction Procedures*

*Topic: Discuss Employee Termination and Document Destruction Procedures*

70. Payroll records that contain evidence of fraud or other illegal action must be \_\_\_\_\_.

- A. retained for two years.
- B. destroyed immediately.
- C. retained indefinitely.
- D. released to law enforcement officials.

*AACSB: Reflective Thinking*

*AICPA: BB Legal*

*AICPA: FN Research*

*Blooms: Analyze*

*Difficulty: Medium*

*Learning Objective: 02-04 Describe Internal Controls and Record Retention for a Payroll System*

*Topic: Describe Internal Controls and Record Retention for a Payroll System*