



**APA**

## **Exam Questions FPC-Remote**

Fundamental Payroll Certification

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### NEW QUESTION 1

- (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 2

- (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 3

- (Topic 1)

Based on hours recorded for the 7-day workweek below, calculate the number of overtime hours, if any, under the FLSA.

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
8 (Sick Paid)	10 (Vac Paid)	9	8	8	8	2

A. 3

B. 5

C. 13

**Answer:** B

#### Explanation:

Comprehensive and Detailed Explanation: Under the Fair Labor Standards Act (FLSA), overtime is calculated only on actual hours worked beyond 40 hours per workweek.

? Paid leave hours (sick and vacation) do not count as "worked" hours under FLSA overtime rules.

? Calculate actual worked hours:

? Overtime hours = 45 - 40 = 5 overtime hours

Thus, the correct answer is B (3 overtime hours), based on hours worked exceeding 40, minus sick and vacation pay.

Reference:

Fair Labor Standards Act (FLSA) – Overtime Regulations Payroll.org – FLSA Compliance Guidelines

### NEW QUESTION 4

- (Topic 1)

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

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

A. \$230.40

B. \$244.99

C. \$246.90

D. \$259.99

**Answer:** D

#### Explanation:

Comprehensive and Detailed Explanation:

? Gross Pay Calculation:

? Taxable Wages:

? Federal Income Tax Withholding (Wage Bracket Method):

? Social Security & Medicare Taxes:

? Total Deductions:

? Net Pay:

Thus, the correct answer is D. \$259.99. Reference:

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

#### NEW QUESTION 5

- (Topic 1)

Which of the following plans may be treated as a nonqualified plan?

- A. 401(k)
- B. 403(b)
- C. 408(p)
- D. 457(b)

**Answer: D**

#### Explanation:

Comprehensive and Detailed Explanation: A 457(b) plan is a nonqualified deferred compensation plan offered primarily to government and tax-exempt employees.

? Option A (401(k)) and Option B (403(b)) are qualified retirement plans under ERISA.

? Option C (408(p)) refers to a SIMPLE IRA, which is also a qualified plan.

Reference:

IRS – 457(b) Plan Rules and Compliance

Payroll.org – Qualified vs. Nonqualified Retirement Plans

#### NEW QUESTION 6

- (Topic 1)

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

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

**Answer: B**

#### Explanation:

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

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

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

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

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

Reference:

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

#### NEW QUESTION 7

- (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 8

- (Topic 1)

To identify an out-of-balance general ledger account, all of the following documents should be used EXCEPT:

- A. General Ledger Account Details
- B. Bank Account Statements
- C. Payroll Register Totals
- D. Copies of Paychecks

**Answer: D**

#### Explanation:

Comprehensive and Detailed Explanation: To find discrepancies in a general ledger, the following documents should be reviewed:

? General Ledger Account Details (A) – To track postings and adjustments.

? Bank Account Statements (B) – To ensure transactions reconcile with payroll expenses.

? Payroll Register Totals (C)– To compare wages and tax liabilities against general ledger accounts.  
? Option D (Copies of Paychecks) is incorrect because physical paycheck copies do not verify account balances or identify out-of-balance errors.  
Reference:  
Payroll.org – Payroll Reconciliation Procedures  
GAAP Accounting Standards – General Ledger Balancing

#### NEW QUESTION 9

- (Topic 1)

To reconcile a general ledger tax liability account balance, verify all of the following items EXCEPT:

- A. Entries from company accountants
- B. Checks issued by accounts payable
- C. Account entries against the payroll register
- D. Account activity against the quarterly returns

**Answer:** A

#### Explanation:

Comprehensive and Detailed Explanation: To properly reconcile payroll tax liability accounts, the following steps are performed:

- ? Compare account entries against payroll registers (C)– Ensures wages, deductions, and taxes are posted correctly.
- ? Verify checks issued by accounts payable (B)– Confirms tax payments were made.
- ? Match account activity with quarterly tax returns (D)– Ensures payroll taxes were reported correctly on Form 941.
- ? Option A (Entries from company accountants) is incorrect because accountants do not create payroll entries; payroll is recorded based on actual payroll transactions, not estimates or adjustments from accountants.

Reference:

GAAP Accounting Standards – Payroll Tax Liability Reconciliation Payroll.org – Best Practices for Payroll Tax Account Reconciliation

#### NEW QUESTION 10

- (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 10

- (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 14

- (Topic 1)

When an employer allocates tips, which of the following statements is TRUE?



- A. Allocated tips are subject to federal income tax withholding
- B. The employer is not liable for amounts incorrectly allocated
- C. Report the allocated amount on the employee's Form W-2
- D. No allocation is made for any reported tips

**Answer:** C

**Explanation:**

Comprehensive and Detailed Explanation: Employers must allocate tips if the total reported tips are less than 8% of gross receipts for establishments where tipping is customary.

? Allocated tips are reported on Form W-2, Box 8 (Option C) but are NOT subject to withholding.

? Option A is incorrect because allocated tips are not subject to automatic withholding unless voluntarily reported by the employee.

? Option B is incorrect because employers are responsible for accurate tip reporting.

? Option D is incorrect because tip allocation rules require reporting when applicable.

Reference:

IRS Publication 531 – Reporting Tip Income Payroll.org – Employer Tip Allocation Rules

**NEW QUESTION 15**

- (Topic 1)

Payroll liability tax accounts should be reconciled at LEAST once a:

- A. Week
- B. Month
- C. Quarter
- D. Year

**Answer:** B

**Explanation:**

Comprehensive and Detailed Explanation: Payroll liabilities (taxes, deductions, and withholdings) must be reconciled regularly to prevent errors and ensure compliance.

? Best practice is monthly reconciliation (Option B) to ensure:

? Option A (Weekly) is impractical unless payroll runs very frequently.

? Option C (Quarterly) and Option D (Yearly) are too infrequent and may result in tax errors or compliance issues.

Reference:

Payroll.org – Payroll Tax Liability Reconciliation Best Practices IRS – Payroll Tax Deposit and Reporting Compliance

**NEW QUESTION 17**

- (Topic 2)

The purpose of the prenotification process for direct deposit is to ensure that the transaction is:

- A. Authorized by the company
- B. Authorized by the employee
- C. Acceptable to the receiving bank
- D. Acceptable to the originating financial institution

**Answer:** C

**Explanation:**

? Prenotification ensures that the receiving bank (C) accepts and properly routes the direct deposit transaction before funds are sent.

References:

? NACHA Direct Deposit Standards

**NEW QUESTION 21**

- (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 24**

- (Topic 2)

Using the percentage method for automated payroll systems, calculate the federal income tax withholding based on the following information:

Pay Type	Amount
Weekly salary	\$384.62
Holiday pay	\$76.92
Production bonus	\$38.46
2019 Form W-4	Single, 0 allowances

- A. \$18.65
- B. \$26.92
- C. \$39.04
- D. \$41.69

**Answer:** C

**Explanation:**

- ? Total taxable wages:  $\$384.62 + \$76.92 + \$38.46 = \$500.00$
- ? Using IRS percentage method tables, withholding = \$39.04
- References:
- ? IRS Publication 15-T (Tax Withholding Tables)

**NEW QUESTION 26**

- (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 31**

- (Topic 2)

The employer's unpaid portion of payroll taxes is posted as a credit to a(n):

- A. Asset account
- B. Current liability account
- C. Long-term liability account
- D. Expense account

**Answer:** B

**Explanation:**

- ? Payroll taxes owed by the employer (such as FICA and FUTA) are recorded as a current liability because they must be paid within a short period.
- ? Long-term liability (C) applies to debts due over time, not payroll taxes.
- ? Expense accounts (D) track costs but do not reflect unpaid obligations.
- References:
- ? Payroll Accounting Guidelines (Payroll.org)
- ? IRS Employer Tax Guide (Publication 15)

**NEW QUESTION 32**

- (Topic 2)

Which of the following awards are included in an employee's taxable income?

- A. A \$5.00 restaurant gift card
- B. A coupon for a free holiday turkey
- C. A wearable fitness tracker for a safety award
- D. An engraved clock, valued at \$100.00, to celebrate an employee's retirement

**Answer:** A

**Explanation:**

- ? Cash equivalents, such as gift cards (A), are always taxable income.
- ? Nominal gifts (B, C, D) are generally tax-exempt under de minimis rules.
- References:
- ? IRS Publication 15-B (Taxable Fringe Benefits)



#### NEW QUESTION 34

- (Topic 2)

A terminated employee submits a written request on August 1 for the current year Form W-2. By what date MUST the employer furnish the Form W-2?

- A. August 31
- B. September 30
- C. October 31
- D. January 31

**Answer:** A

#### Explanation:

? If a terminated employee requests a Form W-2 in writing, the employer must provide it within 30 days or by January 31, whichever comes first.

? Since the request was made on August 1, the deadline is August 31.

References:

? IRS Form W-2 Guidelines

#### NEW QUESTION 35

- (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 36

- (Topic 2)

The due date for filing Form 941 is the:

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

**Answer:** C

#### Explanation:

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

? Example: References:

? IRS Form 941 Instructions

#### NEW QUESTION 38

- (Topic 2)

Which of the following criteria is NOT used to determine if the worker is a nonresident for

- A. U.
- B. income tax purposes?
- C. Supplying a W-9 form
- D. Substantial presence test
- E. Lawful permanent resident test
- F. Impact of tax treaty with another resident country

**Answer:** A

#### Explanation:

? Form W-9 is used for independent contractors (U.S. residents) but does NOT determine residency for tax purposes.

? The Substantial Presence Test (B) and Green Card Test (C) are used to determine tax residency.

? Tax treaties (D) impact tax status for nonresidents. References:

? IRS Publication 519 (U.S. Tax Guide for Aliens)

#### NEW QUESTION 41

- (Topic 2)

All of the following standards demonstrate effective communication techniques EXCEPT:

- A. Empathy.
- B. Listening.

- C. Feedback.
- D. Measurability.

Answer: D

Explanation:

? Effective communication techniques involve empathy (A), active listening (B), and providing constructive feedback (C).  
? Measurability (D) is NOT a communication technique; it refers to performance evaluation metrics. References:  
? Payroll Leadership and Communication Guide (Payroll.org)

NEW QUESTION 42

- (Topic 2)  
What information is reported to the IRS on Form 1094-C?

- A. Basic employer information and number of employees
- B. Employee FITW
- C. FUTA wages
- D. Payments made to the beneficiary of a deceased employee

Answer: A

Explanation:

? Form 1094-C is used by employers under the Affordable Care Act (ACA) to report employer health coverage information.  
? It includes basic employer details, employee counts, and ACA compliance data.  
? Employee FITW (B), FUTA wages (C), and deceased employee payments (D) are NOT reported on Form 1094-C.  
References:  
? IRS Form 1094-C Instructions  
? ACA Compliance Guidelines (Payroll.org)

NEW QUESTION 45

- (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 49

- (Topic 2)  
The FLSA is enforced by which of the following entities?

- A. DOL
- B. ICE
- C. IRS
- D. SSA

**Answer:** A

**Explanation:**

? The Fair Labor Standards Act (FLSA) is enforced by the Department of Labor (DOL) through its Wage and Hour Division (WHD).

? ICE (Immigration and Customs Enforcement) handles immigration-related work

issues, not wage enforcement.

? IRS (Internal Revenue Service) enforces tax laws, not labor standards.

? SSA (Social Security Administration) manages Social Security benefits, not wage laws.

References:

? FLSA Compliance and Enforcement (DOL)

? Payroll Compliance Guidelines (Payroll.org)

**NEW QUESTION 54**

- (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 56**

- (Topic 2)

Which of the following deductions from pay is considered a voluntary deduction?

- A. Garnishments
- B. Wage assignments
- C. Wage attachments
- D. Medical support orders

**Answer:** B

**Explanation:**

? Wage assignments are voluntary deductions authorized by employees for things like loan payments or union dues.

? Garnishments, wage attachments, and medical support orders are court-mandated

deductions, making them involuntary. References:

? IRS Publication 15 (Employer's Tax Guide)

? Payroll Deduction Compliance Guide (Payroll.org)

**NEW QUESTION 59**

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