THE PAYROLL SOURCE CPP PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

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How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

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Questions

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1. What is a Section 125 plan (cafeteria plan)?

A. A plan that lets employees elect pre-tax benefits

B. A plan for after-tax deductions

C. A retirement savings plan

D. A reimbursement program for travel expenses

2. What is the Additional Medicare Tax and when does it apply?

A. 0.9% Additional Medicare Tax on wages above threshold amounts; employee pays; not matched by employer.

B. 0.9% tax paid by employer on all wages.

C. 0.9% to be withheld from employee only if self-employed.

D. 0.9% tax on tips only.

3. For federal income tax withholding on bonuses in the scenario, which method is used?

A. Flat rate Method

B. Percentage Method

C. Wage Bracket Method

D. Aggregate Method

4. What is the combined employee-side rate for Social Security and Medicare taxes in the example?

A. 6.2% total

B. 1.45% total

C. 7.65% total

D. 7.65% with wage base cap

5. Which of the following is a local tax that payroll might withhold?

A. Local earned income taxes

B. Federal income tax

C. State unemployment tax

D. Social Security tax

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6. Calculate the gross pay under the FLSA given the following: hourly rate $8.00, production bonus $25.00, shift differential $0.25 per hour, and 44 total hours worked.

A. $405.64

B. $380.64

C. $377.00

D. $404.50

7. An employee is paid $10 per hour plus a 10% differential for evening shifts. During the past week, the employee worked 24 hours on the day shift and 24 hours on the evening shift. Under the FLSA, what are the employee's gross wages for the week?

A. $572.00

B. $522.64

C. $520.00

D. $546.00

8. In the payroll tax calculation example, which component is included in the total payroll tax liability along with federal income tax withheld?

A. Federal income tax withheld only

B. Combined social security and medicare taxes withheld

C. Federal unemployment tax only

D. Both federal income tax withheld and the social security/medicare taxes withheld for both employee and employer

9. Allocations when an employee works in multiple jurisdictions may be required. Which option describes this correctly?

A. Allocations by jurisdiction may be required.

B. Home address determines withholding only.

C. Employer selects one jurisdiction arbitrarily.

D. All jurisdictions withhold equally.

10. Regarding a federal tax levy, which statement is true?

A. It does not have to be honored if any other garnishments have been served

B. It requires a new order for each pay period

C. It is limited only by the amount of the employee's net pay

D. It is continued each pay period until a release of levy is received

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Answers

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1. A
2. C
3. A
4. C
5. A
6. A
7. D
8. D
9. A
10. D

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Explanations

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1. What is a Section 125 plan (cafeteria plan)?

A. A plan that lets employees elect pre-tax benefits

B. A plan for after-tax deductions

C. A retirement savings plan

D. A reimbursement program for travel expenses

A Section 125 plan, or cafeteria plan, is a plan that lets employees choose among a menu of qualifying benefits and pay for them with pre-tax dollars through salary reductions. The key idea is that the deductions happen before taxes are calculated, which lowers the employee's taxable income and can reduce federal income tax withholding and payroll taxes. These plans commonly include health-related benefits like medical and dental insurance, and may also offer flexible spending accounts for dependent care or medical costs. This structure is what sets Section 125 apart from after-tax deductions, retirement savings plans, or separate travel reimbursement programs, which do not operate on the pre-tax election of benefits.

2. What is the Additional Medicare Tax and when does it apply?

A. 0.9% Additional Medicare Tax on wages above threshold amounts; employee pays; not matched by employer.

B. 0.9% tax paid by employer on all wages.

C. 0.9% to be withheld from employee only if self-employed.

D. 0.9% tax on tips only.

The Additional Medicare Tax is a 0.9% extra Medicare tax on wages, compensation, and self-employment income that exceed certain filing-status thresholds. For employees, the employer withholds this 0.9% from the portion of wages above the applicable threshold, and the employer does not pay or match this amount. The threshold levels depend on filing status (for example, higher thresholds for married filing jointly). It isn't charged on all wages—only the portion over the threshold. It isn't a tax paid by the employer on all wages, and it isn't limited to tips. If you're self-employed, you don't have employer withholding; you pay the additional tax as part of your self-employment tax on income above the threshold. In short, it's a 0.9% extra Medicare tax on wages above the threshold, withheld from the employee, with no employer match.

3. For federal income tax withholding on bonuses in the scenario, which method is used?

A. Flat rate Method

B. Percentage Method

C. Wage Bracket Method

D. Aggregate Method

Bonuses are treated as supplemental wages for federal income tax withholding. When paid separately, the flat rate method is used, applying a fixed percentage (currently 22%) to the bonus amount. This keeps withholding straightforward and independent of the employee's regular wages or tax bracket for that pay period. You would only use the aggregate method if you combined the bonus with regular wages in that same payroll run, calculating withholding as if it were one larger paycheck using the regular tables. The wage bracket method is another way to calculate withholding for regular wages (part of the aggregate approach) and isn't the default for a separate bonus. Therefore, the correct approach for withholding on the bonus in this scenario is the flat rate method.

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4. What is the combined employee-side rate for Social Security and Medicare taxes in the example?

A. 6.2% total

B. 1.45% total

C. 7.65% total

D. 7.65% with wage base cap

The combined employee-side rate for Social Security and Medicare taxes is found by adding the two separate employee portions: 6.2% for Social Security on wages up to the Social Security wage base, plus 1.45% for Medicare on all wages. When both taxes apply (i.e., within the Social Security wage base), the total is 7.65%. The Social Security portion is capped, so beyond that cap you'd still pay Medicare at 1.45% but not the 6.2%, meaning the overall rate isn't fixed at 7.65% for all earnings. The wage-base cap only affects the Social Security portion, not Medicare.

5. Which of the following is a local tax that payroll might withhold?

A. Local earned income taxes

B. Federal income tax

C. State unemployment tax

D. Social Security tax

Local earned income taxes are the local tax that payroll might withhold. Local earned income taxes are levied by cities, counties, or school districts and are collected through payroll withholdings just like other wage taxes. Employers deduct these amounts from employees' pay and remit them to the local tax authority, based on where the work or residence is located. Federal income tax is a federal obligation handled by the IRS, not a local one. State unemployment tax is an employer-paid tax to fund unemployment benefits, not typically withheld from employees. Social Security tax is a federal payroll tax (FICA) shared by employee and employer, not a local tax.

6. Calculate the gross pay under the FLSA given the following: hourly rate $8.00, production bonus $25.00, shift differential $0.25 per hour, and 44 total hours worked.

A. $405.64

B. $380.64

C. $377.00

D. $404.50

When figuring overtime under FLSA, you pay hours over 40 at 1.5 times the regular rate, and that regular rate must include all non-discretionary pay items like shift differential and any non-discretionary bonuses. First, determine the regular rate by pooling all compensation that counts toward regular pay for the week and dividing by total hours worked. Here, that includes the base wages for all hours, the shift differential for all hours, and the non-discretionary production bonus: - Base wages for 44 hours: 44 × 8.00 = 352.00 - Shift differential for 44 hours: 44 × 0.25 = 11.00 - Non-discretionary production bonus: 25.00 Total compensation excluding overtime = 352.00 + 11.00 + 25.00 = 388.00 Regular rate R = 388.00 / 44 = 8.8181818 (about 8.818) Pay for the first 40 hours at the regular rate: 40 × 8.818 ≈ 352.727 Overtime pay for 4 hours at 1.5 × regular rate: 4 × 1.5 × 8.818 ≈ 52.909 Total gross pay ≈ 352.727 + 52.909 ≈ 405.64 So the gross pay comes to about $405.64. The production bonus is included in the regular rate calculation, causing the overtime rate to reflect that bonus as part of the regular earnings.

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7. An employee is paid $10 per hour plus a 10% differential for evening shifts. During the past week, the employee worked 24 hours on the day shift and 24 hours on the evening shift. Under the FLSA, what are the employee's gross wages for the week?

A. $572.00

B. $522.64

C. $520.00

D. $546.00

Under the FLSA, overtime is paid at 1.5 times the employee's regular rate for hours over 40 in a workweek. The regular rate is the average hourly earnings for the week, including shift differentials, but excluding the overtime premium. First find the regular rate: add up all earnings for the week at their regular rates and divide by total hours worked. Day hours: 24 × $10 = $240. Evening hours: 24 × $11 = $264. Total regular earnings = $504 for 48 hours. Regular rate = $504 / 48 = $10.50 per hour. Overtime hours are 8 hours (since 48 total minus 40 standard). The overtime premium per hour is 0.5 × regular rate = 0.5 × $10.50 = $5.25. Overtime premium for 8 hours = 8 × $5.25 = $42. Total gross wages = regular earnings for all hours ($504) + overtime premium ($42) = $546. So the weekly gross wages are $546.

8. In the payroll tax calculation example, which component is included in the total payroll tax liability along with federal income tax withheld?

A. Federal income tax withheld only

B. Combined social security and medicare taxes withheld

C. Federal unemployment tax only

D. Both federal income tax withheld and the social security/medicare taxes withheld for both employee and employer

Total payroll tax liability consists of all taxes the employer must remit from payroll. In the example, that means combining the federal income tax withheld from employees with the Social Security and Medicare taxes, including both the employee's share withheld from wages and the employer's matching share. This full combination reflects what the payroll processor must remit to the government for the period. The federal unemployment tax is a separate liability, so it isn't part of the FICA calculation used for this total.

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9. Allocations when an employee works in multiple jurisdictions may be required. Which option describes this correctly?

A. Allocations by jurisdiction may be required.

B. Home address determines withholding only.

C. Employer selects one jurisdiction arbitrarily.

D. All jurisdictions withhold equally.

When an employee works in more than one jurisdiction, you may need to allocate earnings by where the work is performed. Different jurisdictions tax income at different rates and with different rules, so withholding isn't accurately determined by home address or by treating all earnings the same. By identifying the portion of wages earned in each jurisdiction and applying the corresponding tax rates to those portions, you ensure proper withholding for each place where the work occurred. If an employee splits time between jurisdictions, you'd typically determine the share of earnings tied to each location (often by hours worked or assignment) and withhold accordingly. Some jurisdictions also allow credits or adjustments to avoid double taxation when the employee files their return, so taxes paid to one jurisdiction can reduce the tax due to another. The other options—home address alone dictating withholding, arbitrary selection by the employer, or equal withholding across all jurisdictions—do not reflect how multiple-jurisdiction withholding works, given the variance in rates and rules.

10. Regarding a federal tax levy, which statement is true?

A. It does not have to be honored if any other garnishments have been served

B. It requires a new order for each pay period

C. It is limited only by the amount of the employee's net pay

D. It is continued each pay period until a release of levy is received

A federal tax levy is an IRS instruction to withhold a portion of an employee's wages to satisfy unpaid taxes, and once served it stays in effect across multiple pay periods until the IRS releases it. You don't issue a new levy order for each pay period—the same order covers successive paychecks until it's released. This withholding typically takes priority over other garnishments, and you must honor it even if other garnishments are in place. It isn't merely limited to the employee's net pay; the amount to withhold is set by the levy and applicable tax law, which can require withholding beyond simple net pay than would be taken under ordinary garnishment rules. So the statement that the levy continues each pay period until a release is received is correct.

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Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

https://payrollsourcecpp.examzify.com

We wish you the very best on your exam journey. You've got this!

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