

Study Guide 12

Name	Perfect Score	Your Score
Identifying Accounting Terms	24 Pts.	
Analyzing Payroll Procedures	5 Pts.	
Identifying Accounting Practices	25 Pts.	
Total	54 Pts.	

Part One—Identifying Accounting Terms

Directions: Select the one term in Column I that best fits each definition in Column II. Print the letter identifying your choice in the Answers column.

Contains accounting terms for Lessons 12-1 and 12-2.

Column I	Column II	Answers
A. 401(k)	1. The amount paid to an employee for every hour worked. (p. 346)	1. _____
B. accumulated earnings	2. A fixed annual sum of money divided among equal pay periods. (p. 346)	2. _____
C. commission	3. A method of paying an employee based on the amount of sales the employee generates. (p. 346)	3. _____
D. individual retirement account	4. The total amount paid by a business for an employee's work, earned by a wage, salary, or commission. (p. 346)	4. _____
E. Medicare tax	5. The number of days or weeks of work covered by an employee's paycheck. (p. 346)	5. _____
F. pay period	6. The total amount earned by all employees for a pay period. (p. 346)	6. _____
G. payroll	7. The accounting staff position that compiles and computes payroll data, then prepares, journalizes, and posts payroll transactions. (p. 346)	7. _____
H. payroll clerk	8. A device used to record the dates and times of every employee's arrivals and departures. (p. 347)	8. _____
I. payroll deduction	9. Taxes based on the payroll of a business. (p. 351)	9. _____
J. payroll taxes	10. A deduction from total earnings for each person legally supported by a taxpayer, including the employee. (p. 352)	10. _____
K. qualified retirement plan	11. Any amount withheld from an employee's gross earnings. (p. 352)	11. _____
L. Roth individual retirement account	12. A federal tax paid for old-age, survivors, and disability insurance. (p. 355)	12. _____
M. salary	13. A federal tax paid for hospital insurance. (p. 355)	13. _____
N. social security tax	14. The total gross earnings year to date for an employee. (p. 355)	14. _____
O. tax base	15. The maximum amount of gross earnings on which a tax is calculated. (p. 355)	15. _____
P. time clock	16. A retirement savings plan approved by the Internal Revenue Service that provides individuals with a tax benefit. (p. 356)	16. _____
Q. total earnings	17. A qualified retirement plan sponsored by an employer. (p. 356)	17. _____
R. wage	18. A qualified retirement plan that provides most individuals with a deferred federal income tax benefit. (p. 356)	18. _____
S. withholding allowance	19. A qualified retirement plan that allows tax-free withdrawals from the account. (p. 356)	19. _____

Directions: Select the one term in Column I that best fits each definition in Column II. Print the letter identifying your choice in the Answers column.

Contains accounting terms for Lessons 12-3 and 12-4.

Column I	Column II	Answers
A. direct deposit	1. An accounting form that summarizes the earnings, deductions, and net pay of all employees for one pay period. (p. 358)	1. _____
B. employee earnings record	2. The total earnings paid to an employee after payroll taxes and other deductions. (p. 359)	2. _____
C. net pay	3. A business form used to record details of an employee's earnings and deductions. (p. 360)	3. _____
D. payroll register	4. A check with a detachable check stub that contains detailed information about the cash payment. (p. 364)	4. _____
E. voucher check	5. The payment of an employee's net pay using electronic funds transfer. (p. 366)	5. _____

Part Two—Analyzing Payroll Procedures

Directions: For each of the following items, select the choice that best completes the statement. Print the letter of your choice in the Answers column.

	Answers
1. How many hours were worked by an employee who arrived at 8:10 A.M. and departed at 12:10 P.M.? (A) 4 hours (B) 5 hours (C) 4 hours and 10 minutes (D) none of these. (p. 347)	1. _____
2. How many hours were worked by an employee who arrived at 7:05 A.M. and departed at 6:05 P.M. with one hour off for lunch? (A) 11 hours (B) 10 hours (C) 12 hours (D) none of these. (p. 347)	2. _____
3. Employee regular earnings are calculated as (A) regular hours times regular rate (B) total hours divided by regular rate (C) total hours plus overtime rate (D) overtime hours minus overtime rate. (p. 349)	3. _____
4. Social security tax is calculated on (A) total earnings and marital status (B) number of withholding allowances (C) total earnings and number of withholding allowances (D) employee earnings up to a maximum paid in a calendar year. (p. 355)	4. _____
5. A separate payroll checking account is used primarily to (A) simplify the payroll accounting system (B) help reduce the cost of preparing a payroll (C) provide additional protection and control payroll payments (D) eliminate employer earnings records. (p. 364)	5. _____

Part Three—Identifying Accounting Practices

Directions: Place a **T** for **True** or an **F** for **False** in the Answers column to show whether each of the following statements is true or false.

	Answers
1. A business may decide to pay employee salaries every week, every two weeks, twice a month, or once a month. (p. 346)	1. _____
2. Today's time clocks can feed data directly into a company's computer system. (p. 348)	2. _____
3. Total earnings are sometimes referred to as net pay or net earnings. (p. 346)	3. _____
4. An hourly employee's total earnings are calculated as regular hours × regular rate, plus overtime hours × overtime rate. (p. 349)	4. _____
5. Payroll taxes withheld represent a liability for an employer until payment is made to the government. (p. 351)	5. _____
6. Employers are required to have a current Form W-4, Employee's Withholding Allowance Certificate, for all employees. (p. 352)	6. _____
7. Federal income tax is one example of a payroll deduction. (p. 352)	7. _____
8. The amount of income tax withheld from each employee's total earnings is determined from the number of withholding allowances and by the employee's marital status. (p. 352)	8. _____
9. A single person will have less income tax withheld than a married employee earning the same amount. (p. 352)	9. _____
10. The larger the number of withholding allowances claimed, the larger the amount of income tax withheld. (p. 352)	10. _____
11. An employee can be exempt from having federal income tax withheld under certain conditions. (p. 352)	11. _____
12. Social security tax is only paid by the employer. (p. 355)	12. _____
13. An act of Congress can change the social security tax base and tax rate at any time. (p. 355)	13. _____
14. When an employee's accumulated earnings exceed the tax base, no more social security tax is deducted. (p. 355)	14. _____
15. Qualified retirement plans are approved by the Internal Revenue Service (p. 356)	15. _____
16. Employee contributions to a 401(k) reduce the amount of earnings subject to payroll taxes. (p. 356)	16. _____
17. The investment income of a 401(k) account is taxable to the employee in the year earned. (p. 356)	17. _____
18. Taxes on the contributions and investment income of an IRA are deferred until the funds are withdrawn. (p. 356)	18. _____
19. Contributions to a Roth IRA do not provide a current tax benefit. (p. 356)	19. _____
20. The investment income in a Roth IRA is subject to federal income taxes when withdrawn. (p. 356)	20. _____

Answers

21. The columns of the employee earnings record consist of the amount columns in a payroll register and an Accumulated Earnings column. (p. 360) 21. _____
22. A check for each employee's total net pay is written on the general checking account of the business. (p. 364) 22. _____
23. The original voucher check, with the voucher attached, is mailed to the vendor. (p. 365) 23. _____
24. The voucher of a payroll check contains current pay period and year-to-date earnings and deduction information. (p. 365) 24. _____
25. When EFT is used, the employee does not receive an individual check. (p. 366) 25. _____