

Certified Payroll Professional Practice Exam (Sample)

Study Guide



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Questions

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- 1. What is typically required on a Form I-9?**
 - A. Employer's financial statements**
 - B. Employee's previous pay stub**
 - C. Proof of identity and eligibility to work**
 - D. Employee's tax identification number**

- 2. What is the purpose of Form 941-X?**
 - A. Employers Annual Federal Tax Return for Agricultural Employees**
 - B. Employers Annual Federal tax return is to report to the IRS by so called small employers**
 - C. Adjusted Employers Quarterly Federal Tax Return or Claim of Refund**
 - D. Annual Return of withheld federal income tax**

- 3. Form 1042-S is used to report income subject to withholding for which category of entities?**
 - A. U.S. businesses**
 - B. Individual taxpayers**
 - C. Foreign persons**
 - D. Nonprofit organizations**

- 4. Which of the following is NOT a step in the payroll process?**
 - A. Collecting employee information**
 - B. Issuing payment**
 - C. Conducting performance reviews**
 - D. Calculating payroll**

- 5. Which resource provides information on regulatory changes issued by the Federal government agencies?**
 - A. Congressional Record**
 - B. SSA/IRS Reporter**
 - C. Internal Revenue Bulletin**
 - D. Cumulative Bulletins**

- 6. What is the salary basis test under the FLSA?**
- A. It assesses if an employee is part-time or full-time**
 - B. It determines employee eligibility for performance bonuses**
 - C. It establishes if an employee qualifies for exempt status**
 - D. It calculates overtime pay for hourly workers**
- 7. When considering worker classification, which factor evaluates if the worker exercises managerial skills affecting profit and loss?**
- A. Equipment control**
 - B. Managerial skills**
 - C. Business judgment**
 - D. Control by the employer**
- 8. What does the look-back period for the ACA refer to?**
- A. The year in which an employer must show they offered health insurance**
 - B. The previous 12 months that determine whether an employer is subject to the employer mandate**
 - C. The first quarter of the year**
 - D. The time period before an employee is eligible for benefits**
- 9. Which form is used by employers to report quarterly federal tax returns to the IRS?**
- A. Form W-4P**
 - B. Form W-4S**
 - C. Form 940**
 - D. Form 941**
- 10. What is minimum essential coverage under the ACA?**
- A. Health insurance that avoids penalties and meets ACA requirements**
 - B. A type of insurance that covers only hospital stays**
 - C. Insurance specifically for chronic diseases**
 - D. A plan that offers minimal health benefits**

Answers

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

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Explanations

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1. What is typically required on a Form I-9?

- A. Employer's financial statements**
- B. Employee's previous pay stub**
- C. Proof of identity and eligibility to work**
- D. Employee's tax identification number**

The correct answer is the requirement for proof of identity and eligibility to work. The Form I-9, officially known as the Employment Eligibility Verification form, is designed to help employers verify the identity and employment authorization of individuals hired for employment in the United States. When completing the form, employees must present documentation that establishes both their identity and their authorized status to work in the U.S. This can include a U.S. passport, permanent resident card, or a combination of documents that together prove their identity and employment eligibility. This verification process is crucial for compliance with federal law, as it adds a layer of accountability to ensure that all hired workers are legally permitted to work in the country. The other options listed do not pertain to the requirements of the Form I-9 and are not relevant in this context.

2. What is the purpose of Form 941-X?

- A. Employers Annual Federal Tax Return for Agricultural Employees**
- B. Employers Annual Federal tax return is to report to the IRS by so called small employers**
- C. Adjusted Employers Quarterly Federal Tax Return or Claim of Refund**
- D. Annual Return of withheld federal income tax**

Form 941-X is used for making adjustments to the Employer's Quarterly Federal Tax Return or Claim of Refund. It is not the Employers Annual Federal Tax Return for Agricultural Employees (option A), nor is it specific to small employers (option B). Form 941-X is not related to the Annual Return of withheld federal income tax (option D). The correct answer, option C, best describes the purpose of Form 941-X as the form used for adjustments or refund claims related to the quarterly federal tax return.

3. Form 1042-S is used to report income subject to withholding for which category of entities?

- A. U.S. businesses**
- B. Individual taxpayers**
- C. Foreign persons**
- D. Nonprofit organizations**

Form 1042-S is used to report income subject to withholding for foreign persons. This form is specifically designed for reporting income payments made to foreign individuals, companies, or entities that are subject to withholding under the Internal Revenue Code. It is essential for compliance with tax regulations and ensuring that the appropriate amount of tax is withheld on income paid to non-resident aliens and foreign entities. The other options are not correct because: - Form 1042-S is not used to report income subject to withholding for U.S. businesses (Option A). - Individual taxpayers generally receive Form W-2 or Form 1099 for reporting their income and are not the primary recipients of Form 1042-S (Option B). - Nonprofit organizations would typically not be the recipients of income subject to withholding that requires reporting on Form 1042-S (Option D).

4. Which of the following is NOT a step in the payroll process?

- A. Collecting employee information**
- B. Issuing payment**
- C. Conducting performance reviews**
- D. Calculating payroll**

Conducting performance reviews is not a step in the payroll process because payroll primarily focuses on the financial aspects of employee compensation, including how much to pay employees and when to disburse those payments. The payroll process involves collecting necessary employee information to ensure accurate payments, calculating wages based on hours worked or salary agreements, and issuing payments to employees on scheduled dates. Performance reviews, while essential for employee development and organizational growth, relate more to employee evaluation and development rather than the mechanics of payroll processing. Therefore, this choice correctly identifies an activity that falls outside the payroll process.

5. Which resource provides information on regulatory changes issued by the Federal government agencies?

- A. Congressional Record**
- B. SSA/IRS Reporter**
- C. Internal Revenue Bulletin**
- D. Cumulative Bulletins**

The correct answer is B. SSA/IRS Reporter. This resource provides information on regulatory changes issued by the Federal government agencies related to Social Security and IRS taxes and regulations. The other options, such as the Congressional Record, Internal Revenue Bulletin, and Cumulative Bulletins, do not specifically focus on regulatory changes issued by these agencies.

6. What is the salary basis test under the FLSA?

- A. It assesses if an employee is part-time or full-time**
- B. It determines employee eligibility for performance bonuses**
- C. It establishes if an employee qualifies for exempt status**
- D. It calculates overtime pay for hourly workers**

The salary basis test under the Fair Labor Standards Act (FLSA) is essential for determining whether an employee qualifies for exempt status from overtime pay requirements. This test looks at how an employee is compensated, specifically focusing on whether they are paid a predetermined salary that is not subject to reductions based on the quantity or quality of work performed. If an employee meets the salary threshold and other criteria for exemptions, such as fulfilling specific job duties related to executive, administrative, or professional roles, then they are considered exempt and not entitled to overtime pay. Therefore, understanding the salary basis test is crucial for employers and employees alike, as it influences employee classification and the associated legal obligations surrounding pay and overtime. This is vital for compliance with labor laws and for ensuring appropriate compensation structures within organizations.

7. When considering worker classification, which factor evaluates if the worker exercises managerial skills affecting profit and loss?

- A. Equipment control**
- B. Managerial skills**
- C. Business judgment**
- D. Control by the employer**

When considering worker classification, the factor that evaluates if the worker exercises managerial skills affecting profit and loss is "Managerial skills." This is an essential criterion in determining whether a worker should be classified as an employee or an independent contractor. Workers who possess managerial skills and have the ability to make decisions that impact profit and loss are more likely to be considered independent contractors due to their level of autonomy and control over their work. In contrast, factors such as equipment control, business judgment, and control by the employer do not directly assess the worker's managerial skills in influencing profit and loss, making them incorrect choices in this context.

8. What does the look-back period for the ACA refer to?

- A. The year in which an employer must show they offered health insurance
- B. The previous 12 months that determine whether an employer is subject to the employer mandate**
- C. The first quarter of the year
- D. The time period before an employee is eligible for benefits

The look-back period for the Affordable Care Act (ACA) specifically pertains to the timeframe used to determine an employer's status regarding the employer mandate. This mandate applies to large employers, typically those with 50 or more full-time equivalent employees, requiring them to provide health insurance to a minimum number of their employees. During the look-back period, which encompasses the previous 12 months, employers are evaluated to assess employee hours to determine if they qualify as full-time employees entitled to health benefits. If a significant portion of employees regularly works full-time hours, the employer is deemed subject to the ACA's employer mandate obligations during this period. The remaining options do not accurately capture this specific definition. While one option discusses the annual responsibilities of offering health insurance, it doesn't relate to the assessment of employee hours or employer status. Another option pertains to a specific quarter, which is not relevant to the assessment criteria, and the last option addresses employee eligibility without connecting to the employer mandate's requirements or the look-back concept in the context of determining health insurance obligations.

9. Which form is used by employers to report quarterly federal tax returns to the IRS?

- A. Form W-4P
- B. Form W-4S
- C. Form 940
- D. Form 941**

Form W-4P and Form W-4S are both used to report withholding taxes for pensions or annuities and gambling winnings, respectively. These forms are not used for reporting quarterly federal tax returns. Form 940 is used by employers to report annual federal unemployment tax returns to the IRS. This is not the correct form for quarterly tax returns. Form 941 is used by employers to report quarterly federal tax returns to the IRS. This form includes information on employee wages, tips, and federal income tax withheld, as well as the employer's share of Social Security and Medicare taxes. It is the correct form for this purpose.

10. What is minimum essential coverage under the ACA?

- A. Health insurance that avoids penalties and meets ACA requirements**
- B. A type of insurance that covers only hospital stays**
- C. Insurance specifically for chronic diseases**
- D. A plan that offers minimal health benefits**

Minimum essential coverage under the Affordable Care Act (ACA) refers to health insurance that satisfies the ACA's requirements, ensuring that individuals are not subject to any penalties for failing to obtain health insurance. This coverage includes a variety of health plans, such as employer-sponsored plans, government programs like Medicare and Medicaid, and plans available through the Health Insurance Marketplace that meet the specific standards set forth by the ACA. The purpose of defining minimum essential coverage is to establish a baseline level of health insurance that provides necessary benefits, preventive services, and comprehensive care, which are vital for promoting public health. This prevents individuals from opting for inadequate insurance that does not offer meaningful support in the event of medical needs. Other choices refer to more limited or specific types of coverage that do not meet the broad criteria established by the ACA. For example, the option regarding coverage only for hospital stays does not encompass the wide range of preventive, outpatient, and emergency services required for minimum essential coverage under the ACA. Similarly, options focusing on chronic diseases or offering minimal health benefits would not satisfy the comprehensive requirements that define minimum essential coverage.