

The Payroll Source CPP Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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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.

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!

Questions

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- 1. Which action does NOT demonstrate a strong customer service orientation?**
 - A. Exhibiting a customer friendly attitude**
 - B. Establishing relationships with people**
 - C. Using voice mail to answer phone calls from customers**
 - D. Viewing customers as the most important part of the job**

- 2. The KEY advantage of using an automated time and attendance system is that it:**
 - A. Reduces errors**
 - B. Identifies phantom employees**
 - C. Interfaces with the payroll system**
 - D. Frees supervisors from having to review hours**

- 3. Which form is used to report employees' wages including tips for payroll reporting?**
 - A. Form W-2**
 - B. Form W-4**
 - C. Form 941**
 - D. Schedule SE**

- 4. 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.**

- 5. All of the following practices are acceptable to an external auditor EXCEPT:**
 - A. The accounting department reconciling the payroll checking account**
 - B. The payroll supervisor verifying that the deposits are made timely**
 - C. Storage of blank payroll checks in the payroll department**
 - D. The treasury department being responsible for the signature of payroll checks**

- 6. Under the Fair Labor Standards Act, the pay cycle for nonexempt employees can be on which of the following?**
- A. Weekly Cycle**
 - B. Biweekly Cycle**
 - C. Semimonthly Cycle**
 - D. Any Established Cycle**
- 7. Under the Fair Labor Standards Act (FLSA), how long are employers required to keep records related to wages, hours, and conditions of employment?**
- A. 3 years**
 - B. 4 years or until the file is no longer active**
 - C. 7 years**
 - D. Permanently**
- 8. One employment data element in the payroll masterfile is:**
- A. Hourly Rate of Pay**
 - B. Marital Status**
 - C. Birthdate**
 - D. Occupation**
- 9. To ensure payroll continuity after a disruption, which feature is essential?**
- A. A compatible off-site remote location to produce payrolls**
 - B. An on-site backup of all payroll hardware**
 - C. Detailed employee handbooks**
 - D. A policy manual updated annually**
- 10. What is the difference between a 401(k) plan and a 403(b) plan?**
- A. 401(k) is for private-sector; 403(b) for certain tax-exempt organizations; both defined contribution plans with similar tax treatment**
 - B. 401(k) is for government; 403(b) for private**
 - C. 401(k) is defined benefit; 403(b) is defined contribution**
 - D. 401(k) is employer-funded; 403(b) is employee-funded**

Answers

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

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Explanations

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1. Which action does NOT demonstrate a strong customer service orientation?

- A. Exhibiting a customer friendly attitude**
- B. Establishing relationships with people**
- C. Using voice mail to answer phone calls from customers**
- D. Viewing customers as the most important part of the job**

Having a strong customer service orientation means you actively meet customer needs, are approachable, and put customers at the forefront of your work. It's about being responsive, building relationships, and showing that the customer's experience matters. Using voicemail to answer phone calls from customers does not demonstrate this. It creates a barrier to direct, real-time interaction and can make customers feel their immediate concerns aren't being prioritized. It undermines responsiveness and personal connection, which are key to good service. The other actions align with customer-focused behavior: a customer-friendly attitude invites and welcomes inquiries; establishing relationships shows proactive engagement and trust-building; and viewing customers as the most important part of the job signals a clear prioritization of their needs.

2. The KEY advantage of using an automated time and attendance system is that it:

- A. Reduces errors**
- B. Identifies phantom employees**
- C. Interfaces with the payroll system**
- D. Frees supervisors from having to review hours**

Automating time and attendance primarily boosts accuracy by removing the common errors that come with manual timekeeping. When hours are entered or read manually, mistakes happen—wrong clock-in/out times, miscalculated overtime, missed breaks, or transposed figures. An automated system records punches electronically, applies the payroll rules consistently, and produces a clean, auditable set of hours. That direct improvement in data accuracy reduces pay mistakes, rework, and disputes, which is the most universal and impactful benefit. Features like interfacing with payroll and flagging phantom employees are valuable, but they stem from the system's overall accuracy and controls rather than being the fundamental reason to automate. And while automation can lessen supervisory review time, the standout advantage remains the dependable, error-reducing handling of hours and calculations.

3. Which form is used to report employees' wages including tips for payroll reporting?

- A. Form W-2**
- B. Form W-4**
- C. Form 941**
- D. Schedule SE**

Form W-2 is the annual wage statement that employers provide to employees and file with the Social Security Administration. It reports the total compensation for the year, including wages, tips, and other compensation. Tips are part of employee earnings and must be included in the wage total reported on the W-2, so withholding and payroll tax calculations reflect the employee's actual income. This form is what employees use when filing their tax returns and what the SSA uses for earning records. The other forms have different purposes: the withholding form the employee fills out to direct how much tax to withhold, the quarterly payroll tax return the employer files, and the form used to calculate self-employment tax for self-employed individuals.

4. 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.

5. All of the following practices are acceptable to an external auditor EXCEPT:

- A. The accounting department reconciling the payroll checking account**
- B. The payroll supervisor verifying that the deposits are made timely**
- C. Storage of blank payroll checks in the payroll department**
- D. The treasury department being responsible for the signature of payroll checks**

The key idea is safeguarding payroll cash through proper segregation of duties and restricted access to check stock. External auditors expect that cash disbursement controls separate custody, authorization, and record-keeping so that no single person has control over the entire process. Allowing the accounting department to reconcile the payroll checking account supports independent verification: those who prepare payroll and issue checks are not the ones reconciling the bank statements, which helps detect irregularities. It demonstrates a check on cash disbursements and reduces the chance of errors slipping through. Having the payroll supervisor verify that deposits are made timely ensures funds are properly deposited and that payroll payments are processed on schedule. This provides management with assurance that the payroll cash flows are monitored and that timing issues are caught promptly. Assigning signature authority for payroll checks to the treasury department aligns with best practice for custody and authorization. The treasury function typically handles signatory control, safeguarding check stock and ensuring only authorized individuals can sign checks, thereby preventing unauthorized disbursements. Storing blank payroll checks in the payroll department creates a significant risk. Blank checks are a valuable cash asset, and access to them should be restricted and controlled by an independent custodian (often treasury) with dual controls and proper logkeeping. Keeping blank checks in the payroll area defeats segregation of duties and increases the opportunity for theft or unauthorized issuance. So the practice that would not be acceptable to an external auditor is storing blank payroll checks in the payroll department, due to the risk to asset security and breakdown of proper internal controls.

6. Under the Fair Labor Standards Act, the pay cycle for nonexempt employees can be on which of the following?

- A. Weekly Cycle**
- B. Biweekly Cycle**
- C. Semimonthly Cycle**
- D. Any Established Cycle**

The main idea is that the FLSA requires a regular, established pay schedule for nonexempt employees, but it does not fix a specific frequency. Employers may choose weekly, biweekly, semimonthly, or monthly pay cycles as long as the cycle is clearly established and applied consistently. The key is paying wages promptly for all hours worked in each pay period on the regular payday after the period ends. State law can impose stricter minimum frequencies, so those rules still matter if they're more demanding. That's why the best answer is that any established cycle is permissible.

7. Under the Fair Labor Standards Act (FLSA), how long are employers required to keep records related to wages, hours, and conditions of employment?

- A. 3 years**
- B. 4 years or until the file is no longer active**
- C. 7 years**
- D. Permanently**

Under the FLSA, employers must keep wage, hour, and employment-condition records for at least three years. This minimum retention period ensures there's enough documentation for wage calculations, overtime determinations, and potential Department of Labor reviews or employee claims. It also aligns with the typical enforcement look-back period when violations could be considered willful, which can extend to three years. While keeping records longer is allowed, the law sets three years as the required minimum, not longer fixed durations or permanent retention.

8. One employment data element in the payroll masterfile is:

- A. Hourly Rate of Pay**
- B. Marital Status**
- C. Birthdate**
- D. Occupation**

The main idea here is identifying which data element in the payroll masterfile directly determines earnings. The hourly rate of pay is the data that directly drives how much an employee earns for each hour worked; it's the core factor used to compute gross pay for hourly workers (rate times hours). Other items listed are useful for records and benefits: marital status and birthdate are personal/demographic data that may influence taxes or benefits in some systems, but they don't calculate earnings. Occupation is a job classification and helps with HR organization, not with the actual pay calculation. So the data element that best fits as an employment data element used to determine pay is the hourly rate of pay.

9. To ensure payroll continuity after a disruption, which feature is essential?

- A. A compatible off-site remote location to produce payrolls**
- B. An on-site backup of all payroll hardware**
- C. Detailed employee handbooks**
- D. A policy manual updated annually**

Having a plan that is clearly written and kept up to date is what truly supports payroll continuity when something disrupts normal operations. A policy manual updated annually serves as the blueprint for how to respond, who does what, and what steps to follow to keep payroll processing moving. It aligns processes with current systems, regulatory requirements, and any changes in vendors or technology, so staff can act quickly and consistently under pressure. Even with resources like an off-site location or hardware backups, those assets won't guarantee smooth continuity if there isn't up-to-date guidance on how to use them, the sequence of steps to process payroll, data handling rules, and approval workflows. A policy manual that is refreshed each year ensures everyone knows the exact procedures to follow, reducing confusion and downtime during disruption.

10. What is the difference between a 401(k) plan and a 403(b) plan?

- A. 401(k) is for private-sector; 403(b) for certain tax-exempt organizations; both defined contribution plans with similar tax treatment**
- B. 401(k) is for government; 403(b) for private**
- C. 401(k) is defined benefit; 403(b) is defined contribution**
- D. 401(k) is employer-funded; 403(b) is employee-funded**

The main idea being tested is who offers these plans and for whom they're intended. Both a 401(k) and a 403(b) are defined contribution retirement plans with similar tax treatment: you defer compensation, investments grow tax-deferred, and distributions are taxed as ordinary income (with some Roth options in some plans). The difference lies in who can sponsor the plan: a 401(k) is offered by private-sector employers, while a 403(b) is available to employees of eligible tax-exempt organizations such as public schools, churches, and many nonprofit groups. Government employers typically offer other retirement options (like 457 plans), not a 403(b), so the contrast isn't government vs private. That makes the statement about private-sector versus tax-exempt organizations the best description, since it accurately captures who each plan is designed for while noting that their tax treatment and basic structure are similar. The other choices mix up who is eligible, the type of plan (defined benefit vs defined contribution), or who funds the plan, which aren't the defining distinctions between these two.

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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