SOLUTIONS MANUAL: CHAPTER 2 END OF CHAPTER ANSWERS

ANSWERS TO STOP AND CHECK EXERCISES

What’s in the File?
1. a,b,d,e

Match the pay frequencies:
2. b
3. d
4. a
5. c

Who Are You?
1. Student answers will vary. One possible way to prove both identity and employment is a current U.S. passport. Alternatively, a current state-issued driver’s license and a social security card will work for the purposes of the I-9.

2. Student answers will vary. Many students may underestimate their estimated exemptions.

3. Drivers for a single company or is paid on commission; full-time life insurance or annuity sales staff; home worker on goods to be returned to the company; full time traveling salesperson

Worker Facts
1. Nonexempt

2. Exempt workers receive a fixed amount of money regardless of the number of hours worked; nonexempt workers are eligible for overtime.

3. Commission workers are typically tied to sales completed by the individual; piece-rate pay is determined by the number of pieces the employee completes during a shift or period.

Who Does Which Job?
Student answers will vary. The answer should reflect a clear separation of duties, cross-training, rotation of tasks, and security protocols.

**Internal Controls and Audits**

1. b
2. c

**Destroy and Terminate**

1. Paper payroll records should be shredded or burned. Computer records should be purged from the server and all other storage devices.

2. Charlie should receive his final pay on October 12, and not later than October 13. His employer is not required to provide him with a severance package, although he may be eligible for his accrued vacation pay.

**ANSWERS TO END-OF-CHAPTER MATERIALS**

**REVIEW QUESTIONS**

1. What constitutes internal controls for a payroll department?
   1. Payroll system design, authorized signers, documentation, and review of the process

2. Why should more than one person prepare/verify payroll processing?
   1. Internal controls and verification to avoid fraud or theft

3. What documents are required in all new hire packets?
   1. I-9 and W-4

4. Why are new hires required to be reported to the state’s employment department?
   1. The enforcement of child support and legal withholdings, ensuring immigrants are still eligible to work, verification of professional licensing/qualifications, administration of COBRA benefits

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5. For the state in which you live, when must a terminated employee be paid his or her final paycheck?
   1. Student answers will vary, this is a state specific regulation time ranging from the point of discharge to no time requirements.

6. What are the five main payroll frequencies?
   1. Daily, weekly, biweekly, monthly, semi-monthly

7. What are some of the best practices in establishing a payroll system?
   1. Keep any requests for leave with the related paystubs, file retention schedule, have more than one person responsible for the duties/verification, and separation of duties

8. What are the important considerations in setting up a payroll system?
   1. Pay frequency, pay types, method of payment, benefits, manual/computerized/outsourced payroll processing, file security system

9. What are the different tasks involved in payroll accounting?
   1. Entering the employees, entering the hours, calculation of gross wages, preparation of paychecks, payment of taxes, reporting requirements

10. When does a payroll record retention period begin?
    1. Disbursement of pay

11. What agencies or organizations can audit a company’s payroll records?
    1. The Internal Revenue Service (IRS)
    2. Federal and State Departments of Labor
    3. Department of Homeland Security
    4. Other state and local agencies
    5. Labor unions

12. How long must employers keep terminated employee records?
    1. Seven years from the date of termination

13. Are independent contractors included in company payroll? Why or why not?

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1. It depends; some independent contractors are not included in the company’s payroll, but are treated as vendors. Some independent contractors are considered statutory employees and would be included in the company’s payroll.

14. What is the difference between termination and resignation?

1. An employee is terminated by the employer; when the employee initiates the separation it is a resignation. Employees who resign will receive their final paycheck in the normal payroll cycle, whereas terminated employees may be required to receive theirs sooner.

15. What is the difference between weekly, biweekly, semi-monthly, and monthly pay periods?

1. A weekly pay period is for one week, biweekly pay period is two weeks long, semi-monthly pay period is twice a month, and monthly pay period is once a month.

EXERCISES SET A

E2-1A. Amanda, a nonexempt employee at Old Tyme Soda Distributing, works a standard 8:00–5:00 schedule with an hour for lunch. Amanda works in a state requiring overtime for hours in excess of 40 in a week. During the week she worked the following schedule:

   4. 2.25

E2-2A. Carlie receives her pay twice per month. Which of the following choices describes her pay frequency?
   a. Bi-weekly
   b. Semimonthly

E2-3A. Roberto is a new employee for McGee's Windows. Which Federal forms must he complete as part of the hiring process?

1. W-4
4. I-9

E2-4A. Angela, a resident of Texas, ended her employment on December 8, 2016. The next pay date for the company is December, 20. By what date should she receive her final pay?

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3. December 20

E2-5A. Corey is a new nonexempt sales clerk for Cohen Real Estate. He completes his time card for the pay period. To ensure proper internal control, what is the next step in the payroll review process?

3. Submit the time card to his manager for review

E2-6A. Jacob needs additional filing space at the end of the year in the company’s offsite, secured storage. He sees several boxes marked for the current year’s destruction. What methods can Jacob use to dispose of the payroll records? What steps should he take to ensure the company is not under obligation to retain these records further?

1. Contact an offsite record destruction service.
3. Shred the records, then dispose of the shredded paper
4. Incinerate the payroll records marked for destruction

E2-7A. Rachael is verifying the accuracy and amount of information contained in the employee records for her company. Which of the following items should be present in the employee information? (Select all that apply)

1. Job title
2. Social Security number
3. Birth date (if under 19)

E2-8A. Camber is the payroll clerk for Multisound Speakers. A colleague who is classified as an independent contractor requests to be classified as an employee. What factors should Camber consider? (Select all that apply.)

1. Relationship of the Parties
2. Behavioral Control
4. Financial Control
E2-9A. What are the forms of identification that establish identity for the I-9? How long does a company retain copies of an employee’s I-9?

1. Driver’s License
2. Native American Tribal document
3. Voter Registration card

E2-10A. What are the forms of identification that establish employment authorization for the I-9? (Select all that apply.)

2. U.S. Passport
3. Certified copy of the birth certificate.

PROBLEM SET A

(NOTE: The textbook presentation of Problems 2 to 10 allows for open-ended student responses. For solutions to the Connect versions of the Set A Problems, refer to Page 38.)

P2-1A. Jason is a salaried employee earning $75,000 per year. Calculate the standard gross salary per pay period under each of the following payroll frequencies:

a. Biweekly $75,000/26 = $2,884.62
b. Semimonthly $75,000/24 = $3,125.00
c. Weekly $75,000/52 = $1,442.31
d. Monthly $75,000/12 = $6,250.00

P2-2A. Jonathan is in the payroll accounting department of Moran Industries. An independent contractor of the company requests that Social Security and Medicare taxes be withheld from future compensation. What advice should Jonathan offer?

a. As an independent contractor they would be responsible for their own payments and these would not be withheld by the company

P2-3A. You are the new payroll supervisor for your company. Which payroll documentation control procedures are now your responsibility?

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a. Payroll system security, Maintenance of paid time off (i.e., vacation, sick, etc.), Access to payroll data, Separation of duties, Training of payroll staff

P2-4A. Naia is a new employee in the payroll department of Redtap Inc. After working at the company for one week, she asks you why it is so important to submit new hire documentation. What guidance will you offer her?

a. Reporting creates a registry to monitor child support obligations, tracks immigration to ensure individuals are legal to work in the United States, ensures that individuals in professions that can have sanctions are legally able to continue to work, finally to enable the tracking of COBRA benefits.

P2-5A. You are the payroll accounting clerk for your company, which has 50 employees. The controller has asked for assistance in determining which accounting software package is best suited to the company's payroll needs. What factors should you consider in your decision?

a. Key points that need to be included: ease of update for changes in tax laws, tax tables, and payroll regulations; ease of reporting; confidentiality

P2-6A. Sue is a citizen of the Northern Pomo Indian Nation. She provides her social security card along with an official Northern Pomo Nation birth certificate as proof of employment eligibility for her I-9. Is this sufficient documentation?

a. Yes, these are acceptable since this would fulfill the requirements of items from type B and type C of the acceptable documents.

P2-7A. The controller has requested your assistance to price various accounting software programs available for document retention, payroll preparation, and financial reporting. What requirements should you ensure are present in the computer program?

a. Availability of handling various payroll types, processing timelines, updates of tax tables, maintaining confidentiality, and options for retention schedule implementation.

P2-8A. Large Laptops, a California corporation, has internal corporate requirements that stipulate a three-year payroll document retention period. They enter into a contract with an international company that mandates a six-year payroll document retention requirement. How should Large Laptops balance these requirements?

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a. The longer retention period would be appropriate since the benefits and records may be called to evidence up to 8 years depending upon the circumstances.

P2-9A. Manju is a full-time life insurance agent with a small insurance company. The company has classified her as an employee, and she feels that she should be classified as an independent contractor because she receives no company benefits and sets her own office hours. Should she be reclassified as an independent contractor? Why or why not?

a. Of the three tests, Manju does not meet the relationship of the parties

P2-10A. Genevieve is an employee of Lux Lights, a company with headquarters in Providence, Rhode Island. She lives and works in Tillicoultry, Scotland, and earns an annual salary of $85,300. The company has been withholding U.S. federal income taxes from her pay, but Genevieve believes that she should be exempt because she is an expatriate. What course of action should Genevieve take?

a. Genevieve would need to file IRS Foreign Earned Income Exclusion

P2-11A. Complete the W-4 for employment at Bernie’s Bar and Grill

Kierstan Amber Winter-Casey
542 Sole Point Road
Sitka, Alaska 99835
SSN: 988-65-3124
Single, head of household
2 dependents

She is eligible for the child tax credit because of her two allowances and her annual salary of $36,000. She is not claiming an additional amount to be withheld, nor is she claiming
exemption from withholding. She has $1,500 annually in child care expenses.

Form W-4 (2016)

Purpose. Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Generally, you fill out a new Form W-4 each year and when your personal or financial situation changes.

Exemptions from withholding. You are exempt from withholding if:

- You complete only lines 1, 2, 3, 4, and 7 and sign the form to be executed February 15, 2017. See Pub. 545, Tax Withholding and Estimated Tax.

Note: If another person claims you, as a dependent on his or her tax return, you cannot claim exemption from withholding if your income exceeds $1,000 and includes more than $300 of unearned income (for example, interest and dividends).

Exceptions. An employee may be able to claim exemption from withholding even if the employee is a dependent. If the employee:
- Is 65 or older.
- Is blind, or
- Will claim additional exemptions on his or her tax return.

The acceptor may not apply to supplemental wages greater than $1,000,000.

Basic instructions. If you are not exempt, complete the Personal Allowances Worksheet below. The worksheets on page 2 further adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, and tax-exempt/multiple employer situations.

Complete all worksheets that apply. However, you may claim fewer (or zero) allowances for regular wages; withholding must be based on allowances you claimed and may not be for a flat amount or percentage of wages.

Head of household. Generally, you can claim head of household filing status only if you provide for yourself and your dependent or other qualifying individuals. See Pub. 915, Exemptions, Standards of Deduction, and Filing Information, for information.

Tax credits. You may take tax credits into account in figuring your allowable number of withholding allowances. Credits to child and dependent care expenses and the mortgage interest tax credit may be claimed using the Personal Allowances Worksheet below. See Pub. 915 for information on converting your other credits into withholding allowances.

Nonresident alien. If you are a nonresident alien, use Notice 930, Supply Form W-4 Instructions for Nonresident Aliens, Before Completing this Form.

Check your withholding. After you fill in Form W-4 below, see Pub. 505 to determine whether you are having withheld compared to your projected total tax for 2016. See Pub. 505, especially if your earnings exceed $110,000 (Single) or $160,000 (Married). If you determine that your withholding is incorrect, complete Form W-4 before the start of the next pay period and attach a note explaining why a different amount should be withheld.

For accuracy, complete all worksheets that apply.

Separate here and give Form W-4 to your employer. Keep the top part for your records.

Employee's Withholding Allowance Certificate

Order No. 1545-0074

2016

Your name and social security number

Name:

Last name

Social security number

Home address, number and street or rural route

City, town, state, and Zip code

City, town, state, and Zip code

If your last name differs from that shown on your social security card, check here. You must call 1-800-773-1251 for a replacement card.

If you are single and have more than one job, your spouse works both and the combined earnings from all jobs exceed $50,000 ($20,000 if married), see the Two-Earners/Multiple Jobs Worksheet on page 3 to avoid having too little tax withheld.

If neither of the above situations apply, stop here and enter the number from line H on line 5 of Form W-4 below.

Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.

Employee's signature

Date

For Privacy Act and Paperwork Reduction Act Notice, see page 3.

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P2-12A. Complete the I-9 for employment at Excelsior College. Be sure to complete the “preparer” section.

Meaghan Ariel Lambert
Maiden name: Smith
Social Security number: 123-45-6789
Date of Birth: 7-1-1984
552 Coddington Road
Rio Nido, California 95555
U.S. Citizen
Meaghan presented her passport for her employer to review. Passport number 5397816, issued by the United States State Department, expires 10/31/2018
Employment Eligibility Verification

Department of Homeland Security
U.S. Citizenship and Immigration Services

Form I-9
OMB No. 1615-0047
Expires 03/31/2016

Section 1. Employee Information and Attestation (Employees must complete and sign Section 1 of Form I-9 no later than the first day of employment, but not before accepting a job offer.)

Last Name (Family Name) LAMBERT
First Name (Given Name) Meaghan
Middle Initial A
Other Names Used (if any) Meaghan Smith

Address (Street Number and Name) 552 Coddington Road
Apt. Number Apt. 45
City or Town Rio Nido
State CA Zip Code 95555

Date of Birth (mm/dd/yyyy) 07/01/1964

U.S. Social Security Number 123-45-6789
E-mail Address
Telephone Number

I am aware that federal law provides for imprisonment and/or fines for false statements or use of false documents in connection with the completion of this form.

I attest, under penalty of perjury, that I am (check one of the following):

☐ A citizen of the United States
☐ A noncitizen national of the United States (See instructions)
☐ A lawful permanent resident (Alien Registration Number/USCIS Number):
☐ An alien authorized to work until (expiration date, if applicable, mm/dd/yyyy) ___________. Some aliens may write "N/A" in this field. (See instructions)

For aliens authorized to work, provide your Alien Registration Number/USCIS Number OR Form I-94 Admission Number:

1. Alien Registration Number/USCIS Number: ___________________________

OR

2. Form I-94 Admission Number: ___________________________

If you obtained your admission number from CBP in connection with your arrival in the United States, include the following:

Foreign Passport Number: ___________________________
Country of Issuance: ___________________________

Some aliens may write "N/A" on the Foreign Passport Number and Country of Issuance fields. (See instructions)

Signature of Employee: ___________________________ Date (mm/dd/yyyy): ___________________________

Preparer and/or Translator Certification (To be completed and signed if Section 1 is prepared by a person other than the employee.)

I attest, under penalty of perjury, that I have assisted in the completion of this form and that to the best of my knowledge the information is true and correct.

Signature of Preparer or Translator: ___________________________ Date (mm/dd/yyyy): ___________________________

Last Name (Family Name) ___________________________ First Name (Given Name) ___________________________

Address (Street Number and Name) ___________________________ City or Town ___________________________ State ___________________________ Zip Code ___________________________
### Section 2. Employer or Authorized Representative Review and Verification

Employers or their authorized representative must complete and sign Section 2 within 3 business days of the employee’s first day of employment. You must physically examine one document from List A OR examine a combination of one document from List B and one document from List C as listed on the “Lists of Acceptable Documents” on the next page of this form. For each document you review, record the following information: document title, issuing authority, document number, and expiration date, if any.

| Employee Last Name, First Name and Middle Initial from Section 1: Lambert, Meaghan A |
|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| **List A** | **OR** | **List B** | **AND** | **List C** |
| Document Title: | Document Title: | Document Title: | Document Title: | Document Title: |
| U.S. Passport | U.S. Passport | U.S. Passport | U.S. Passport | U.S. Passport |
| Issuing Authority: | Issuing Authority: | Issuing Authority: | Issuing Authority: | Issuing Authority: |
| United States State Department | United States State Department | United States State Department | United States State Department | United States State Department |
| Document Number: | Document Number: | Document Number: | Document Number: | Document Number: |
| 5387816 | 5387816 | 5387816 | 5387816 | 5387816 |
| Expiration Date (if any)(mm/dd/yyyy): | Expiration Date (if any)(mm/dd/yyyy): | Expiration Date (if any)(mm/dd/yyyy): | Expiration Date (if any)(mm/dd/yyyy): | Expiration Date (if any)(mm/dd/yyyy): |
| 10/31/2018 | 10/31/2018 | 10/31/2018 | 10/31/2018 | 10/31/2018 |
| Document Title: | Document Title: | Document Title: | Document Title: | Document Title: |
| Issuing Authority: | Issuing Authority: | Issuing Authority: | Issuing Authority: | Issuing Authority: |
| Document Number: | Document Number: | Document Number: | Document Number: | Document Number: |
| Expiration Date (if any)(mm/dd/yyyy): | Expiration Date (if any)(mm/dd/yyyy): | Expiration Date (if any)(mm/dd/yyyy): | Expiration Date (if any)(mm/dd/yyyy): | Expiration Date (if any)(mm/dd/yyyy): |

### Certification

I attest, under penalty of perjury, that (1) I have examined the document(s) presented by the above-named employee, (2) the above-listed document(s) appear to be genuine and to relate to the employee named, and (3) to the best of my knowledge the employee is authorized to work in the United States.

The employee’s first day of employment (mm/dd/yyyy) ___________.

**See instructions for exemptions.**

<table>
<thead>
<tr>
<th>Signature of Employer or Authorized Representative</th>
<th>Date (mm/dd/yyyy)</th>
<th>Title of Employer or Authorized Representative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Last Name (Family Name)</td>
<td>First Name (Given Name)</td>
<td>Employer’s Business or Organization Name</td>
</tr>
<tr>
<td>Employer’s Business or Organization Address (Street Number and Name)</td>
<td>City or Town</td>
<td>State</td>
</tr>
</tbody>
</table>

### Section 3. Reverification and Rehires (To be completed and signed by employer or authorized representative.)

A. New Name (if applicable) Last Name (Family Name) First Name (Given Name) Middle Initial

B. Date of Rehire (if applicable) (mm/dd/yyyy):

C. If employee’s previous grant of employment authorization has expired, provide the information for the document from List A or List B the employee presented that establishes current employment authorization in the space provided below.

| Document Title: | Document Number: | Expiration Date (if any)(mm/dd/yyyy): |

I attest, under penalty of perjury, that to the best of my knowledge, this employee is authorized to work in the United States, and if the employee presented document(s), the document(s) I have examined appear to be genuine and to relate to the individual.

| Signature of Employer or Authorized Representative: | Date (mm/dd/yyyy): | Print Name of Employer or Authorized Representative: |

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**EXERCISE SET B**

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E2-1B. Connie, a nonexempt employee of Westside Motel, works a standard 6:00–3:00 p.m. schedule with an hour for lunch. Connie works in a state requiring overtime for hours over 8 per day and for those over 40 in a week. During the week, she worked the following schedule:

<table>
<thead>
<tr>
<th></th>
<th>6:00–10:30</th>
<th>11:15–3:00</th>
<th>8.25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monday</td>
<td>6:15–10:45</td>
<td>11:45–3:15</td>
<td>8.00</td>
</tr>
<tr>
<td>Tuesday</td>
<td>5:45–10:00</td>
<td>11:00–3:30</td>
<td>8.75</td>
</tr>
<tr>
<td>Thursday</td>
<td>7:00–12:00</td>
<td>1:00–3:00</td>
<td>7.00</td>
</tr>
<tr>
<td>Friday</td>
<td>6:00–3:00</td>
<td>(no lunch)</td>
<td>9.00</td>
</tr>
</tbody>
</table>

Based on a 40-hour work week, does she qualify for overtime under FLSA regulations? If so, how many hours of regular time and overtime did she work?

1. 2 hours

E2-2B. Paolo is a salaried employee earning $84,000 per year who receives pay every two weeks. Which of the following best describes the pay frequency?

a. Biweekly

E2-3B. On October 31, 2016, Terri quit her job after four years with Aspen Tree Service in Colorado. Aspen Tree Service pays employees weekly on Fridays. Upon quitting, Terri had 38.5 hours of vacation accrued that she had not used, and she had worked 45 hours, 5 hours of which was subject to overtime. When must she receive her final paycheck?

1. On the next pay date.

E2-4B. Brad terminated his employment with Whiz Records on December 15, 2016. When is the earliest that Whiz Records may destroy his payroll records?

3. December 15, 2019

E2-5B. Zachary is a new payroll clerk at RC Imports, a company with 250 employees. He has completed entering all time card data for the pay period. What should Zachary's next step in the payroll review process be?
3. Ask his supervisor to verify the accuracy of the payroll data.

E2-6B. Martin needs additional filing space at the end of the year in the company’s office and chooses to use offsite, secured storage. Upon arriving at the storage facility, he discovers that the unit is nearly full and sees several boxes marked for destruction at the end of the next calendar year. What are Martin's options regarding the destruction of the payroll records marked for destruction? (Select all that apply.)

2. He should make arrangements to pulp or burn the payroll records marked for destruction.

3. He should arrange to have a document destruction service pick up the boxes marked for destruction.

4. He should bring a shredding machine to the storage facility and prepare to shred the records marked for destruction.

E2-7B. Monika is conducting a review of the payroll files for each employee. Which of the following items must be present in the file? (Select all that apply.)

1. Basis upon which compensation is paid.

2. Overtime pay earned during each pay period.

3. Hours worked during each pay period.

E2-8B. Kevin is preparing to compute employee pay and needs to determine the amount of employee federal income taxes to be withheld. Which of the following should he consult?

2. IRS Publication 15

E2-9B. Embry is a new employee of the Peak House restaurant. Which of the following will provide proof of identity for the completion of the I-9? (Select all that apply.)

1. U.S. Passport


4. Oklahoma driver's license.
E2-10B. Stephanie is completing the I-9 for her new employment at Pass Time Driving School. Which of the following provides proof of her employment authorization? (Select all that apply.)

1. U.S. Passport
2. Social Security Card.
3. Certificate of birth abroad, issued by the U.S. Department of State.

PROBLEM SET B

(NOTE: The textbook presentation of Problems 1 to 10 allows for open-ended student responses. For solutions to the Connect versions of the Set B Problems, refer to Page 41.)

P2-1B. Sandy is an independent contractor who is new to your company. Should you assign her compensation to the payroll clerk or to the accounts payable department? Explain.

   a. Independent contractors are most frequently treated as a vendor and would be sent to accounts payable. However, depending upon specific requirements, Sandy could be classified as a statutory employee.

P2-2B. Frank was terminated for cause from Pineland Industries in Georgia, on August 21, 2016. As of the date of his termination, he had accrued 22 hours of regular time. Employees at Pineland are paid semimonthly on the 15th and last day of the month. Frank would like to know when he will be paid for the accrued hours. What will you tell him?

   a. Georgia does not have specific termination requirements for the processing; the company will probably choose to issue the check with standard payroll. Depending upon the company policy and employee agreement, the vacation and sick time may be included.

P2-3B. Quinn, a member of the Menominee Indian nation, is a new employee at Raven Enterprises. During the process of completing his I-9, his only means of identity is a Menominee Nation identification document. Is this document sufficient to verify his employment eligibility? Explain.

   a. The Menominee Nation identification card would only be one part of the qualifications (falling under type C). A secondary form (from type B) would be necessary.
P2-4B. Carol is a new employee of Eartheon Batteries. She is curious about the purpose of the requirements for new hire documentation to be forwarded to government agencies. What should you tell her?

a. Reporting creates a registry to monitor child support obligations, tracks immigration to ensure individuals are legal to work in the United States, ensures that individuals in professions that can have sanctions are legally able to continue to work, finally to enable the tracking of COBRA benefits.

P2-5B. Levon wants to start his own company. As a seasoned payroll professional, he approaches you for guidance about the differences between weekly, biweekly, and semimonthly pay periods. What would you tell him?

a. Weekly payroll is where individuals will receive 52 paychecks per year and are suited for companies that are small – construction or professional entities. Biweekly payroll is where individuals will receive 26 paychecks per year processed every two weeks and is one of the more common pay periods, occasionally this method may result in 27 pay periods. Semimonthly is where employees will receive 24 paychecks per year.

P2-6B. Helena is a new payroll clerk for Hope Sinks and Drains. She is curious about the purpose of the different steps in the payroll review process and asks you, her supervisor, for guidance. What would you tell her?

a. The payroll review process is designed to verify the information so that employees are paid correctly and the data is correct. Starting with the employee completing their time card, the information is then verified by the manager. After the manager has agreed that the employee has accurately portrayed the hours worked, the payroll clerk will prepare the information for the manager to review and approve. Once the information has been approved, the payroll checks can be issued to the employees.

P2-7B. Pierre started as a payroll accountant at a company with 70 employees. He soon notices that the former payroll accountant had been processing payroll manually, and suggests that the company immediately switch to cloud-based payroll. Although the company is switching to an electronic payroll processing system, what types of paper documentation must be maintained in employee records?
a. Employers retain physical copies of employees’ time records, pay advice, and any other documentation processed with the paycheck. Some other types of documentation include: Request for a day off; reports of tardiness or absenteeism; detailed records of work completed during that day’s shift.

P2-8B. Jiana, a payroll clerk, has received a promotion and is now the payroll supervisor for her company. What document control items could now become her responsibility?

   a. Payroll system security, Maintenance of paid time off (i.e., vacation, sick, etc.), Access to payroll data, Separation of duties, Training of payroll staff

P2-9B. You are in the payroll department of Yinkeng Imports, a multistate company. The company has historically been filing employee information with each state. What alternative exists for multistate employers?

   a. Multistate Employer Notification Form allows centralized reporting from the Office of Management and Budget

P2-10B. Christianne is the payroll supervisor for PSN Freight. Her company is preparing to merge with another distribution company that has a different pay cycle. The president of the company wants to know the difference between biweekly and semimonthly pay cycles as far as pay dates and pay amounts. What should Christianne tell him?

   a. Moving between biweekly (26 pay periods per year with the possibility of 27) to a semimonthly system (24 pay periods per year) would cause individual to see increases per pay period since there are more days being covered on the pay period under semimonthly than on biweekly. This would also result in higher taxes per pay period.

P2-11B. Complete the W-4 for employment at Dark Forest Ranch:

Madeline Emma Jenkins
203 County Road 4
Douglas, Wyoming 82036

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SSN: 545-02-1987

Married filing jointly

Three dependents. She has no child care expenses but is able to claim the child tax credit and does not wish to withhold additional amounts.

She has a second job as a waitress at the Douglas Café, where she earns $12,000/year.
Form W-4 (2016)

Purpose: Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Depending on the form you file, your employer will withhold at a lower or higher rate of tax. You may file a new Form W-4 each year and whenever your personal or financial situation changes.

Exemption from withholding: You are exempt, complete only lines 1, 2, 3, 4, and 7 and sign the form to be valid. Your exemption for 2016 expires February 15, 2017. See Pub. 505, Tax Withholding and Estimated Tax.

Note: If another person can claim you as a dependent on his or her tax return, you cannot claim exemption from withholding. If your income exceeds $1,050 and includes more than $300 of unearned income (for example, interest and dividends), see Pub. 505, Tax Withholding and Estimated Tax.

Exceptions: An employee may be able to claim exemption from withholding even if the employee is a dependent. If the employee...

<table>
<thead>
<tr>
<th>Exception</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is over 65 or older.</td>
<td></td>
</tr>
<tr>
<td>Is blind,</td>
<td></td>
</tr>
<tr>
<td>Will claim adjustments to income, tax credits, or itemized deductions, or have no tax return.</td>
<td></td>
</tr>
</tbody>
</table>

The exceptions do not apply to supplemental wages greater than $1,000.00.

Basic instructions: If you are not exempt, complete the Personal Allowances Worksheet below. The worksheet can page 2 further adjust your withholding allowance based on itemized deductions, certain credits, adjustments to income, or two-earner/multiple jobs situations.

Complete all worksheets that apply. However, you may claim itemized or two-earner/multiple jobs situations. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

Head of household: Generally, you can claim head of household status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependents, or you are not married but lived separately from your spouse for the entire year, see Pub. 505, Dollar Amounts, Standard Deduction, and Filing Statuses, for information.

Tax credits: You can take projected tax credits into account in figuring your allowable income from withholding allowances. See Pub. 505, Tax Withholding and Estimated Tax.

Credit for child or dependent care expenses and the child tax credit may be claimed using the Personal Allowances Worksheet below, see Pub. 505, for information on excluding your own credits from withholding allowances.

Personal Allowances Worksheet (Keep for your records.)

<table>
<thead>
<tr>
<th>Line 1</th>
<th>Enter &quot;1&quot; if you are a single employee.</th>
<th>A</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>You are single and have only one job.</td>
<td>B</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>If you are married, have only one job, and your spouse does not work.</td>
<td>C</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Your wages from a single job (or your spouse's wages, if the total of both) is $5,000 or less.</td>
<td>D</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>If you are married and have either a working spouse or more than one job.</td>
<td>E</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Entering &quot;0&quot; may help you avoid having too little tax withheld.</td>
<td>F</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>If your income is less than $50,000 ($100,000 if married), enter &quot;2&quot; for each eligible child.</td>
<td>G</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>If you have two or more eligible children.</td>
<td>H</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>If your income is less than $50,000 ($100,000 if married), enter &quot;2&quot; for each eligible child.</td>
<td>I</td>
<td>9</td>
</tr>
</tbody>
</table>

For accuracy, complete all worksheets that apply.

W-4 Employee's Withholding Allowance Certificate

<table>
<thead>
<tr>
<th>Name</th>
<th>2016</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Madison</td>
<td>5054</td>
<td>5054</td>
</tr>
<tr>
<td>Jenkins</td>
<td>5054</td>
<td>5054</td>
</tr>
<tr>
<td>1</td>
<td>Year</td>
<td>Social security number</td>
</tr>
<tr>
<td>2</td>
<td>2016</td>
<td>5054</td>
</tr>
<tr>
<td>3</td>
<td>Single</td>
<td>Married</td>
</tr>
<tr>
<td>4</td>
<td>2016</td>
<td>5054</td>
</tr>
<tr>
<td>5</td>
<td>City or town, state, and ZIP code</td>
<td>5054</td>
</tr>
</tbody>
</table>

1) Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2) 5 5
2) Additional income, if any, you want withheld from each paycheck 6 6
3) If you want to claim itemized deductions or claim to be married, enter "X" below and sign the form. 7 7

Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.

Employee's signature  

Date  

For Privacy Act and Paperwork Reduction Act Notice, see page 2.

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P2-12B. Complete the I-9 for employment with the Tennessee Department of Corrections. Be sure to complete the “preparer” section.

Martin Allan Davis

Social Security number: 987-65-4312

Date of Birth: 5-29-1975

5923 Bunker Hill Road

Clarksville, Tennessee 38205

U.S. Citizen

Martin presented his driver’s license and social security card for his employer to review. Tennessee Driver’s License #U30290688, Expires, 5/29/2018
## Employment Eligibility Verification

**Department of Homeland Security**

**U.S. Citizenship and Immigration Services**

**START HERE.** Read instructions carefully before completing this form. The instructions must be available during completion of this form.

**ANTI-Discrimination NOTICE:** It is illegal to discriminate against work-authorized individuals. Employers CANNOT specify which document(s) they will accept from an employee. The refusal to hire an individual because the documentation presented has a future expiration date may also constitute illegal discrimination.

### Section 1. Employee Information and Attestation

(Employees must complete and sign Section 1 of Form I-9 no later than the first day of employment, but not before accepting a job offer.)

<table>
<thead>
<tr>
<th>Last Name (Family Name)</th>
<th>First Name (Given Name)</th>
<th>Middle Initial</th>
<th>Other Names Used (if any)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Davis</td>
<td>Martin</td>
<td></td>
<td>A</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Address (Street Number and Name)</th>
<th>Apt. Number</th>
<th>City or Town</th>
<th>State</th>
<th>Zip Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>5923 Bunker Hill Rd</td>
<td></td>
<td>Clarksville</td>
<td>TN</td>
<td>38205</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date of Birth (mm/dd/yyyy)</th>
<th>U.S. Social Security Number</th>
<th>E-mail Address</th>
<th>Telephone Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>05/29/1975</td>
<td>9</td>
<td>8</td>
<td>7</td>
</tr>
</tbody>
</table>

I am aware that federal law provides for imprisonment and/or fines for false statements or use of false documents in connection with the completion of this form. I attest, under penalty of perjury, that I am (check one of the following):

- [ ] A citizen of the United States
- [ ] A noncitizen national of the United States (See instructions)
- [ ] A lawful permanent resident (Alien Registration Number/USCIS Number): ____________________________

- [ ] An alien authorized to work until (expiration date, if applicable, mm/dd/yyyy) ______________________ Some aliens may write “NA” in this field. (See instructions)
  - For aliens authorized to work, provide your Alien Registration Number/USCIS Number OR Form I-94 Admission Number:
    - 1. Alien Registration Number/USCIS Number: ____________________________
    - OR
    - 2. Form I-94 Admission Number: ____________________________

If you obtained your admission number from CBP in connection with your arrival in the United States, include the following:

- Foreign Passport Number: ____________________________
- Country of Issuance: ____________________________

Some aliens may write “NA” on the Foreign Passport Number and Country of Issuance fields. (See instructions)

Signature of Employee: ____________________________

Date (mm/dd/yyyy): ____________________________

### Preparer and/or Translator Certification

(To be completed and signed if Section 1 is prepared by a person other than the employee.)

I attest, under penalty of perjury, that I have assisted in the completion of this form and that to the best of my knowledge the information is true and correct.

Signature of Preparer or Translator: ____________________________

Date (mm/dd/yyyy): ____________________________

<table>
<thead>
<tr>
<th>Last Name (Family Name)</th>
<th>First Name (Given Name)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Address (Street Number and Name)</th>
<th>City or Town</th>
<th>State</th>
<th>Zip Code</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Employer Completes Next Page**
Section 2. Employer or Authorized Representative Review and Verification

(Enter employee's first and last name in Section 1.)

<table>
<thead>
<tr>
<th>List A</th>
<th>List B</th>
<th>List C</th>
</tr>
</thead>
<tbody>
<tr>
<td>OR</td>
<td>Identity and Employment Authorization</td>
<td>Employment Authorization</td>
</tr>
<tr>
<td>Document Title:</td>
<td>Drivers License</td>
<td>Document Title:</td>
</tr>
<tr>
<td>Issuing Authority:</td>
<td>Social Security Card</td>
<td>Issuing Authority:</td>
</tr>
<tr>
<td>Document Number:</td>
<td>Social Security Administration</td>
<td>Document Number:</td>
</tr>
<tr>
<td>Expiration Date (if any) (mm/dd/yyyy):</td>
<td>5/29/2018</td>
<td>Expiration Date (if any) (mm/dd/yyyy):</td>
</tr>
<tr>
<td>Document Title:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuing Authority:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Document Number:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expiration Date (if any) (mm/dd/yyyy):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Document Title:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuing Authority:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Document Number:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expiration Date (if any) (mm/dd/yyyy):</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Certification

I attest, under penalty of perjury, that (1) I have examined the document(s) presented by the above-named employee, (2) the above-listed document(s) appear to be genuine and to relate to the employee named, and (3) to the best of my knowledge the employee is authorized to work in the United States.

The employee's first day of employment (mm/dd/yyyy) (See instructions for exemptions.)

<table>
<thead>
<tr>
<th>Signature of Employer or Authorized Representative</th>
<th>Date (mm/dd/yyyy)</th>
<th>Title of Employer or Authorized Representative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Last Name (Family Name)</td>
<td>First Name (Given Name)</td>
<td>Employer's Business or Organization Name</td>
</tr>
<tr>
<td>Employer's Business or Organization Address (Street Number and Name)</td>
<td>City or Town</td>
<td>State</td>
</tr>
</tbody>
</table>

Section 3. Reverification and Rehires (To be completed and signed by employer or authorized representative.)

A. New Name (if applicable) Last Name (Family Name) First Name (Given Name) Middle Initial

B. Date of Rehire (if applicable) (mm/dd/yyyy):

C. If employee's previous grant of employment authorization has expired, provide the information for the document(s) presented that establishes current employment authorization in the space provided below.

<table>
<thead>
<tr>
<th>Document Title:</th>
<th>Document Number:</th>
<th>Expiration Date (if any) (mm/dd/yyyy):</th>
</tr>
</thead>
</table>

I attest, under penalty of perjury, that to the best of my knowledge, this employee is authorized to work in the United States, and if the employee presented document(s), the document(s) I have examined appear to be genuine and to relate to the individual.

<table>
<thead>
<tr>
<th>Signature of Employer or Authorized Representative:</th>
<th>Date (mm/dd/yyyy):</th>
<th>Print Name of Employer or Authorized Representative:</th>
</tr>
</thead>
</table>

Form 1-9 03/08/13 N
CRITICAL THINKING

2-1. When BirMax was looking to implement a payroll accounting system, the manufacturing firm had several options. With only 40 employees, the manual preparation of payroll through spreadsheets and handwritten time cards was a comfortable option for the firm. Another option is to sell the senior management of BirMax on implementing a software program for payroll processing. What are the key points to consider? If the company has more than one department, how can this transition be accomplished?

1. Key points that need to be included: ease of update for changes in tax laws, tax tables, and payroll regulations; ease of reporting; whether the employee self-service option would be eligible; confidentiality

2-2. You have been hired as a consultant for a company facing an IRS audit of their accounting records. During your review, you notice anomalies in the payroll system involving overpayments of labor and payments to terminated employees. What would you do?

1. When the abnormalities are discovered, the management of the company should be made aware of the situation. Since the IRS audit is imminent, documenting the date of the find and attempts to rectify the error would be advisable. Depending upon the nature of the anomalies, the company or payroll employees may have made some serious errors.

IN THE REAL WORLD: CASE FOR DISCUSSION

Student response will vary.
Prevosti Farms and Sugarhouse pays its employees according to their job classification. The following employees make up Sugarhouse’s staff:

<table>
<thead>
<tr>
<th>Employee Number</th>
<th>Name and Address</th>
<th>Payroll information</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-Mille</td>
<td>Thomas Millen</td>
<td>Hire Date: 2-1-2016</td>
</tr>
<tr>
<td></td>
<td>1022 Forest School Rd</td>
<td>DOB: 12-16-1982</td>
</tr>
<tr>
<td></td>
<td>Woodstock, VT 05001</td>
<td>Position: Production Manager</td>
</tr>
<tr>
<td></td>
<td>802-478-5055</td>
<td>PT/FT: FT, exempt</td>
</tr>
<tr>
<td></td>
<td>SSN: 031-11-3456</td>
<td>No. of Exemptions: 4</td>
</tr>
<tr>
<td></td>
<td>401(k) deduction: 3%</td>
<td>M/S: M</td>
</tr>
<tr>
<td></td>
<td>Pay Rate: $35,000/year</td>
<td></td>
</tr>
<tr>
<td>A-Towle</td>
<td>Avery Towle</td>
<td>Hire Date: 2-1-2016</td>
</tr>
<tr>
<td></td>
<td>4011 Route 100</td>
<td>DOB: 7-14-1991</td>
</tr>
<tr>
<td></td>
<td>Plymouth, VT 05102</td>
<td>Position: Production Worker</td>
</tr>
<tr>
<td></td>
<td>802-967-5873</td>
<td>PT/FT: FT, nonexempt</td>
</tr>
<tr>
<td></td>
<td>SSN: 089-74-0974</td>
<td>No. of Exemptions: 1</td>
</tr>
<tr>
<td></td>
<td>M/S: S</td>
<td>Pay Rate: $12.00/hour</td>
</tr>
<tr>
<td>A-Long</td>
<td>Charlie Long</td>
<td>Hire Date: 2-1-2016</td>
</tr>
<tr>
<td></td>
<td>242 Benedict Road</td>
<td>DOB: 3-16-1987</td>
</tr>
<tr>
<td></td>
<td>S. Woodstock, VT 05002</td>
<td>Position: Production Worker</td>
</tr>
<tr>
<td></td>
<td>802-429-3846</td>
<td>PT/FT: FT, nonexempt</td>
</tr>
<tr>
<td></td>
<td>SSN: 056-23-4593</td>
<td>No. of Exemptions: 2</td>
</tr>
<tr>
<td>Name</td>
<td>Pay Rate</td>
<td>Hire Date</td>
</tr>
<tr>
<td>----------</td>
<td>------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>B-Shang</td>
<td>M/S: M Pay Rate: $12.50/hour</td>
<td>2-1-2016</td>
</tr>
<tr>
<td>B-Lewis</td>
<td>M/S: M Pay Rate: $10.50/hour</td>
<td>2-1-2016</td>
</tr>
<tr>
<td>B-Schwa</td>
<td>M/S: M Pay Rate: $24,000/year base plus 3% commission per case sold</td>
<td>2-1-2016</td>
</tr>
<tr>
<td>B-Prevo</td>
<td>Toni Prevosti</td>
<td>2-1-2016</td>
</tr>
</tbody>
</table>
The Departments are as follows:

Department A: Agricultural Workers

Department B: Office Workers

1. You have been hired as of February 1, 2016, as the new accounting clerk. Your employee number is B-XXXXX, where “B” denotes that you are an office worker and “XXXXX” is the first five letters of your last name. If your last name is fewer than five letters, use the first few letters of your first name to complete the employee number. Your social security number is 555-55-5555, and you are full-time, nonexempt, and paid at a rate of $34,000 per year. You are single with only one job (claiming 2 exemptions). You live at 1644 Smittin Road, Woodstock, VT 05001. Your phone number is 555-555-5555. Your date of birth is 1/1/1991 and your Social Security number is 555-55-5555 for the project. You are a citizen of the United States and provide a Vermont driver’s license #881100009 expiring 1/1/2018 in addition to your Social Security card for verification of your identity. Complete the W-4 and the I-9 to start your own employee file.
Form W-4 (2016)

Purpose: Complete Form W-4 so that your employer can withhold the correct federal income tax from your wages. Your employer will use this form to figure your withholding in 2016. If you have a change in your marital status or your personal or financial situation, you should check with your employer and file a new Form W-4 as appropriate.

Exemption from withholding. If you are exempt from withholding, complete the entire form and check “Exempt” on line 7. People under 18 years of age, children, and students are generally exempt if they meet the requirements of Section 152(a) of the Internal Revenue Code of 1986, as amended. The exemption applies only to Federal income tax, not to local, state, or other taxes.

Personal Allowances Worksheet (Keep for your records)

A. Enter “1” for yourself if no one else can claim you as a dependent.
B. Enter “1” if your spouse is not claimed as a dependent.
C. Enter “1” for your spouse. If you have more than one spouse, enter the number of additional spouses.
D. Enter the number of dependents (other than yourself or your spouse) you can claim.
E. Enter “1” if you file as head of household on your tax return.
F. Enter “1” if you file as a head of household on your tax return.
G. Enter “1” if you file as head of household on your tax return.
H. Enter “1” if you file as head of household on your tax return.

For accuracy, complete all worksheets that apply.

Employee’s Withholding Allowance Certificate

Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.

1. Your first name and middle initial
2. Last name
3. Social security number
4. Name of spouse
5. Address
6. City or town, state, and ZIP code
7. Occupation
8. Total number of allowances you are claiming
9. Additional amount, if any, you want withheld
10. Date

Employee’s signature

Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.

Employee’s name and address

For Privacy Act and Paperwork Reduction Act Notice, see page 2.

SM 2-27
**Employment Eligibility Verification**

**Department of Homeland Security**
**U.S. Citizenship and Immigration Services**

**START HERE:** Read instructions carefully before completing this form. The instructions must be available during completion of this form. **ANTI-DISCRIMINATION NOTICE:** It is illegal to discriminate against work-authorized individuals. Employers CANNOT specify which document(s) they will accept from an employee. The refusal to hire an individual because the documentation presented has a future expiration date may also constitute illegal discrimination.

### Section 1. Employee Information and Attestation

(All employees must complete and sign Section 1 of Form I-9 no later than the first day of employment, but not before accepting a job offer.)

<table>
<thead>
<tr>
<th>Last Name (Family Name)</th>
<th>First Name (Given Name)</th>
<th>Middle Initial</th>
<th>Other Names Used (if any)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Address (Street Number and Name):
1444 Shultz Pk
City or Town: Woodstock
State: VT
Zip Code: 05091
Email Address: 
Telephone Number: 

Date of Birth (mm/dd/yyyy):
01/01/1991

I am aware that federal law provides for imprisonment and/or fines for false statements or use of false documents in connection with the completion of this form.

I attest, under penalty of perjury, that I am (check one of the following):

- [x] A citizen of the United States
- [ ] A noncitizen national of the United States (See instructions)
- [ ] A lawful permanent resident (Alien Registration Number/USCIS Number): __________________________

An alien authorized to work until (expiration date, if applicable, mm/dd/yyyy): __________________________

Some aliens may write "N/A" in this field. (See instructions)

For aliens authorized to work, provide your Alien Registration Number/USCIS Number OR Form I-76 Admission Number:

1. Alien Registration Number/USCIS Number: __________________________

OR

2. Form I-76 Admission Number: __________________________

If you obtained your admission number from CBP in connection with your arrival in the United States, include the following:

Foreign Passport Number: __________________________

Country of Issuance: __________________________

**Signature of Employee:** __________________________

**Date (mm/dd/yyyy):** __________________________

**Preparer and/or Translator Certification**

(To be completed and signed if Section 1 is prepared by a person other than the employee.)

I attest, under penalty of perjury, that I have assisted in the completion of this form and that to the best of my knowledge the information is true and correct.

**Signature of Preparer or Translator:** __________________________

**Date (mm/dd/yyyy):** __________________________

<table>
<thead>
<tr>
<th>Last Name (Family Name)</th>
<th>First Name (Given Name)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Address (Street Number and Name):** __________________________

City or Town: __________________________

State: __________________________

Zip Code: __________________________

**3-D Barcode:** __________________________

**Do Not Write in This Space**

**Signature of Employee:** __________________________

**Date (mm/dd/yyyy):** __________________________
Section 2. Employer or Authorized Representative Review and Verification

[Employee information and document verification details]

Certification

[Signature and date]

Section 3. Reverification and Rehires

A. New Name of Applicant

B. Dates of Employment

C. If employee’s previous grant of employment authorization has expired, provide the information for the document from List A or List C the employee presented that establishes the current employment authorization in the space provided below.

[Signature and date]

2. Complete the headers of the employee earnings register for each employee. Enter the pay rate for each employee.
EMPLOYEE EARNING RECORD

<table>
<thead>
<tr>
<th>Name</th>
<th>Thomas Millen</th>
<th>Hire Date</th>
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EMPLOYEE EARNING RECORD

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Name: Avery Towle
Hire Date: 2/1/2016
Address: 4011 Route 100
City/State/Zip: Plymouth/VT/05102
Telephone: 802-967-5873
Social Security Number: 089-74-0974
Position: Production Worker
Pay Rate: $12.00/hour

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EMPLOYEE EARNING RECORD

Name: Charlie Long  
Hire Date: 2/1/2016
Address: 242 Benedict Rd  
Date of Birth: 3/16/1987
City/State/Zip: S. Woodstock/VT/05002  
Exempt/Nonexempt: Nonexempt
Telephone: 802-429-3846  
Married/Single: M
Social Security Number: 056-23-4593  
No. of exemptions: 2
Position: Production Worker  
Pay Rate: $12.50/hour

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Name: Mary Shangraw
Address: 1901 Main St #2
City/State/Zip: Bridgewater/VT/05520
Telephone: 802-575-5423
Social Security Number: 075-28-8945
Position: Administrative Assistant
Pay Rate: $10.50/hour

Hire Date: 2/1/2016
Date of Birth: 8/20/1994
Exempt/Nonexempt: Exempt
Married/Single: S
No. of exemptions: 1

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EMPLOYEE EARNING RECORD

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**EMPLOYEE EARNING RECORD**

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<td>Address</td>
<td>1644 Smittin Rd</td>
<td>Date of Birth</td>
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</tbody>
</table>

PROBLEM SET A – CONNECT VERSION (Correct answers are bolded – other options are the distractor choices.)

P2-2A. Jonathan is in the payroll accounting department of Moran Industries. An independent contractor of the company requests that Social Security and Medicare taxes be withheld from future compensation. What advice should Jonathan offer? (Select all that apply)

- As an independent contractor they would be responsible for their own payments
- These would not be withheld by the company
- The independent contractor should complete Form W-4 to authorize FICA tax withholding

P2-3A. You are the new payroll supervisor for your company. Which payroll documentation control procedures are now your responsibility?

- Payroll system security
- Maintenance of paid time off (i.e., vacation, sick, etc.)
- Access to payroll data
- Separation of duties
- Training of payroll staff
- Publication of employee wage and salary information
- Notification of individual employee payroll discrepancies to all company managers

P2-4A. Naia is a new employee in the payroll department of Redtap Inc. After working at the company for one week, she asks you why it is so important to submit new hire documentation. What guidance will you offer her? (Select all that apply)

- Reporting creates a registry to monitor child support obligations
- Tracking immigration to ensure individuals are legal to work in the United States
- Ensuring that individuals in professions that can have sanctions are legally able to continue to work
- Enabling the tracking of COBRA benefits
- Monitoring the filing of individual income tax returns
- Tracking student loan payments

P2-5A. You are the payroll accounting clerk for your company, which has 50 employees. The controller has asked for assistance in determining which accounting software package is best
suited to the company's payroll needs. Which of the following factors should you consider in your decision?

- Ease of update for changes in tax laws, tables, and payroll regulations
- Ease of reporting
- Confidentiality
- Responsibility for information accuracy

P2-6A – Not applicable for Connect.

P2-7A. The controller has requested your assistance to price various accounting software programs available for document retention, payroll preparation, and financial reporting. What requirements should you ensure are present in the computer program? (Select all that apply)

- Availability of handling various payroll types
- Processing timelines
- Updates of tax tables
- Maintaining confidentiality
- Options for retention schedule implementation
- Single-user accessibility

P2-8A. Large Laptops, a California corporation, has internal corporate requirements that stipulate a three-year payroll document retention period. They enter into a contract with an international company that mandates a six-year payroll document retention requirement. In this situation, the longer retention period would be appropriate because: (Select all that apply)

- the benefits and records may be called to evidence
- the period for retention could be up to 8 years depending upon the circumstances.
- the shorter period is more cost effective

P2-9A. Manju is a full-time life insurance agent with a small insurance company. The company has classified her as an employee, and she feels that she should be classified as an independent contractor because she controls her own time and financial resources. Should she be reclassified as an independent contractor?

- Of the three tests, Manju does not meet the relationship of the parties
• She should be classified as independent contractor because of her time and resource control

P2-10A. Genevieve is an employee of Lux Lights, a company with headquarters in Providence, Rhode Island. She lives and works in Tillicoultry, Scotland, and earns an annual salary of $85,300. The company has been withholding U.S. federal income taxes from her pay, but Genevieve believes that she should be exempt because she is an expatriate. What course of action should Genevieve take?

• **Genevieve would need to file IRS Foreign Earned Income Exclusion**
• Genevieve would be automatically be exempt and would not need to take any further action
PROBLEM SET B – CONNECT VERSION (Correct answers are bolded – other options are the distractor choices.)

P2-1B. Sandy is an independent contractor who is new to your company. Should you assign her compensation to the payroll clerk or to the accounts payable department? Which of the following statements are true?

- Independent contractors are most frequently treated as a vendor and would be sent to accounts payable.
- Depending upon specific requirements, Sandy could be classified as a statutory employee.
- Sandy’s compensation should be handled by the payroll department because she is a human resource.

P2-2B. Frank was terminated for cause from Pineland Industries in Georgia, on August 21, 2016. As of the date of his termination, he had accrued 22 hours of regular time. Employees at Pineland are paid semimonthly on the 15th and last day of the month. Frank would like to know when he will be paid for the accrued hours. Which of the following will you tell him?

- Georgia does not have specific termination requirements for the processing
- The company will probably choose to issue the check with standard payroll.
- Depending upon the company policy and employee agreement, the vacation and sick time may be included.
- Frank would need to be paid within 24 hours of termination
- The check would need to be issued immediately
- Vacation time accrued must be included under Federal law

P2-3B. Quinn, a member of the Menominee Indian nation, is a new employee at Raven Enterprises. During the process of completing his I-9, his only means of identity is a Menominee Nation identification document. Is this document sufficient to verify his employment eligibility? Which of the following statements are true?

- The Menominee Nation identification card would only be one part of the qualifications (falling under type C).
- A secondary form (from type B) would be necessary.
- The Menominee Nation identification card would be sufficient to meet the requirements of type A

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P2-4B. Carol is a new employee of Eartheon Batteries. She is curious about the purpose of the requirements for new hire documentation to be forwarded to government agencies. What should you tell her? (Select all that apply)

- Reporting creates a registry to monitor child support obligations
- tracks immigration to ensure individuals are legal to work in the United States
- ensures that individuals in professions that can have sanctions are legally able to continue to work
- Enables the tracking of COBRA benefits.
- Maintains HIPAA record privacy
- Ends all unemployment insurance claims

P2-5B. Levon wants to start his own company. As a seasoned payroll professional, he approaches you for guidance about the differences between weekly, biweekly, and semimonthly pay periods. What would you tell him? (Select all that apply)

- Weekly payroll is where individuals will receive 52 paychecks per year and are suited for companies that are small – construction or professional entities.
- Biweekly payroll is where individuals will receive 26 paychecks per year processed every two weeks and is one of the more common pay periods, occasionally this method may result in 27 pay periods.
- Semimonthly is where employees will receive 24 paychecks per year
- Semimonthly is where employees receive 6 paychecks per year
- Biweekly employees receive two paychecks per month

P2-6B. Helena is a new payroll clerk for Hope Sinks and Drains. She is curious about the purpose of the different steps in the payroll review process and asks you, her supervisor, for guidance. What would you tell her? (Select all that apply)

- The payroll review process is designed to verify the information so that employees are paid correctly and the data is correct.
- Starting with the employee completing their time card, the information is then verified by the manager.
- After the manager has agreed that the employee has accurately portrayed the hours worked, the payroll clerk will prepare the information for the manager to review and approve.
- Once the information has been approved, the payroll checks can be issued to the employees.
Upon approval, the information contained on each employee’s paycheck is placed in a report and distributed upon demand to company employees.

P2-7B. Pierre started as a payroll accountant at a company with 70 employees. He soon notices that the former payroll accountant had been processing payroll manually, and suggests that the company immediately switch to cloud-based payroll. Although the company is switching to an electronic payroll processing system, what types of paper documentation must be maintained in employee records? (Select all that apply)

- time records
- pay advice
- any other documentation processed with the paycheck
- request for a day off
- reports of tardiness or absenteeism
- detailed records of work completed during that day’s shift
- credit scores
- spousal employment

P2-8B. Jiana, a payroll clerk, has received a promotion and is now the payroll supervisor for her company. What document control items could now become her responsibility? (Select all that apply)

- Payroll system security
- Maintenance of paid time off (i.e., vacation, sick, etc.)
- Access to payroll data
- Separation of duties
- Training of payroll staff
- Wage report publication to company newsletters
- Notification of employee pay raises to other employees

P2-9B. You are in the payroll department of Yinkeng Imports, a multistate company. The company has historically been filing employee information with each state. What alternative exists for multistate employers?
• Multistate Employer Notification Form allows centralized reporting from the Office of Management and Budget
• Form SS-4 allows employers to choose which state will receive employment reports

P2-10B. Christianne is the payroll supervisor for PSN Freight. Her company is preparing to merge with another distribution company that has a different pay cycle. The president of the company wants to know the difference between biweekly and semimonthly pay cycles as far as pay dates and pay amounts. What should Christianne tell him? (Select all that apply)

• Moving between biweekly (26 pay periods per year with the possibility of 27) to a semimonthly system (24 pay periods per year) would cause individual to see increases per pay period
• There are more days being covered on the pay period under semimonthly than on biweekly
• This would also result in higher taxes per pay period.
• The difference between biweekly and semimonthly pay periods causes a higher payroll tax liability for the employer
Chapter 2
Payroll System Procedures
Employer Payroll Concerns

• Pay Frequency
• Pay Types
  • Direct Deposit, Paycards, or Paper Checks
• Employee Benefits
• Pay Advances
• Confidentiality
• Fraud protection
LO 2-1: Identify Important Payroll Procedures and Pay Cycles

• Reporting requirements

• Deadlines

• Other compliance issues related to the firm’s industry
EIN Purposes – Company Related

• Identifies companies who file tax returns
• Required for partnerships and corporations
• Required if a firm
  • Has employees
  • Acts as a fiduciary
  • Is in the alcohol, tobacco, or firearm industry

The EIN will be canceled if the principal officer’s name and SSN do not match IRS records
More EIN Purposes – Tax Related

- EIN is the permanent federal identifier for the company

   Must accompany
   - Tax Deposits
   - Payroll Tax Returns
     - Forms 940, 941, 944
     - Forms W-2 and W-3
     - Any 1099s (independent contractors)

- States may issue a different identifying number
Non-Confidential Company Documents

• Expense Receipts
• Vendor Invoices
• Check copies
Confidential Company Documents

Privacy Act of 1974

• Personnel information

• Payroll documents

Note: Fraud-related documents may be subpoenaed at any time and must be accessible to government authorities.
Payroll File Requirements—Employee

- Employee full name
- Social Security number
- Complete address
- Birth date (if younger than 19)
- Sex
- Occupation
Payroll File Requirements—Compensation

• Time/day when workweek begins
• Hours/pay and total hours/workweek
• Basis of wages
• Hourly rate
• Total straight-time earnings
• Total overtime earnings
• Additions/deductions
• Total Wages
• Date Paid
# Employee Earnings Record Example

## Employee Earning Record

<table>
<thead>
<tr>
<th>Name</th>
<th>Hire Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address</td>
<td>Date of Birth</td>
</tr>
<tr>
<td>City/State/Zip</td>
<td>Exempt/Nonexempt</td>
</tr>
<tr>
<td>Telephone</td>
<td>Married/Single</td>
</tr>
<tr>
<td>Social Security Number</td>
<td>No. of exemptions</td>
</tr>
<tr>
<td>Position</td>
<td>Pay Rate</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Period Ended</th>
<th>Hrs Worked</th>
<th>Reg Pay</th>
<th>OT Pay</th>
<th>Holiday</th>
<th>Comm</th>
<th>Gross Pay</th>
<th>Ins</th>
<th>401(k)</th>
<th>Taxable Pay for Federal</th>
<th>Taxable Pay for FICA</th>
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Payroll Cycle Options

• Daily
  • Usually used in a day-labor situation
  • Often paid at end of day or next day

• Weekly
  • Usually paid Friday of following week
  • 52 pay periods/year
Payroll Cycle Options (continued)

• Biweekly
  • Paid every other week
  • 26 pay periods/year

• Semimonthly
  • Paid twice/month
  • 24 pay periods/year

• Monthly
  • Paid once/month
  • 12 pay periods/year
# Payroll Frequency: Example

<table>
<thead>
<tr>
<th>Payroll frequency</th>
<th>Pay periods/year</th>
<th>$50,000/year gross salary per pay period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily</td>
<td>365</td>
<td>$136.99</td>
</tr>
<tr>
<td>Weekly</td>
<td>52</td>
<td>$961.54</td>
</tr>
<tr>
<td>Biweekly</td>
<td>26</td>
<td>$1,923.08</td>
</tr>
<tr>
<td>Semimonthly</td>
<td>24</td>
<td>$2,083.33</td>
</tr>
<tr>
<td>Monthly</td>
<td>12</td>
<td>$4,166.67</td>
</tr>
</tbody>
</table>
LO 2-2: Prepare Required Employee Documentation

- Form W-4
- I-9
  - Filed within 20 days of employee hire
  - $25 fine for non-reporting per employee
  - $500 fine for intentional non-reporting
W-4 Example

Form W-4

Employee’s Withholding Allowance Certificate

1 Your first name and middle initial Last name
Jonathan A. Doe

2 Your social security number
987-65-4321

3 Check box for Single Married Married, but withhold at higher Single rate.

Note: If married, but legally separated, or spouse is a nonresident alien, check the “Single” box.

4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card.

5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2)

6 Additional amount, if any, you want withheld from each paycheck

7 I claim exemption from withholding for 2016, and I certify that I meet both of the following conditions for exemption.

- Last year I had a right to a refund of all federal income tax withheld because I had no tax liability, and
- This year I expect a refund of all federal income tax withheld because I expect to have no tax liability.

If you meet both conditions, write “Exempt” here.

Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.

Employee’s signature
Jonathan A. Doe

Date 1/2/2016

8 Employer’s name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)

9 Office code (optional)

10 Employer identification number (EIN)

For Privacy Act and Paperwork Reduction Act Notice, see page 2.

Cat. No. 10220Q

Form W-4 (2016)
Form I-9 Example

<table>
<thead>
<tr>
<th>List A</th>
<th>OR</th>
<th>List B</th>
<th>AND</th>
<th>List C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identity and Employment Authorization</td>
<td>Document Title:</td>
<td>Document Title:</td>
<td>Document Title:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Driver's License</td>
<td>State of Kansas</td>
<td>Social Security Card</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Issuing Authority:</td>
<td>Social Security Administration</td>
<td>Social Security Administration</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>Document Number:</td>
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<td>G93847562</td>
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</tr>
<tr>
<td></td>
<td>Expiration Date (if any)(mm/dd/yyyy):</td>
<td>Expiration Date (if any)(mm/dd/yyyy):</td>
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<td></td>
</tr>
<tr>
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<td>05/17/2017</td>
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</tr>
</tbody>
</table>

[3-D Barcode]
Do Not Write in This Space
New Hire Reporting: Why?

• Child support tracking

• Employment eligibility verification

• Permanent resident alien tracking

• Other garnishments
  • Credit card debt
  • Court judgments
Child Support

• As of the 2010 U.S. census, the estimated amount of child support transferred between parents in the United States exceeded $41.7 billion.

• As of March 2015, outstanding unpaid child support:

  $14.3 Billion
Statutory Employees

• A driver who is a single company’s agent or is paid on commission

• A full-time life insurance sales agent for one life insurance company

• A home-worker who works on a company’s provided materials

• A full-time traveling or city salesperson who works on a single company’s behalf
U.S. Workers in Foreign Subsidiaries

• Known as *expatriate* workers

• Foreign Account Tax Compliance Act (FATCA)
  • Report wages of earners in foreign locations
  • Ensures appropriate taxation
  • Workers may exclude first $101,300 of wages (2016 figure)

• Enforcement can be difficult due to foreign banks compliance with U.S. law
Entering New Employees into a Database

Jane Smith

Personal information
Salary
Vacation
Tax Details
Benefits & Deductions
Employee Files
Direct Deposit

Salary History

<table>
<thead>
<tr>
<th>Amount</th>
<th>Effective on</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>$14.59/hour</td>
<td>04/04/2016</td>
<td></td>
</tr>
<tr>
<td>$13.75/hour</td>
<td>01/01/2015</td>
<td></td>
</tr>
</tbody>
</table>
LO 2-3: Explain Pay Records and Employee File Maintenance

Pay Records include:
• Pay period
• Pay date
• Pay rate
• All deductions

Employer Retains:
• Copy of time card
• Copy of pay stub
• Any other documentation included with pay check
• Time off documentation
## Pay Rate Determination

**Employee**
- Experience
- Education
- Certifications
- Governmental Regulations
- Hours Worked
- Job Performed

**Employer**
- Salary
- Hourly
- Commission
- Piece Rate
- Exempt
- Nonexempt
Compensation considerations

- Employee Skills
- Employer Structure
- Compensation
Calculations of Time: Exempt Employee

• Juan is a manager for a textiles firm. He earns $52,000 per year and is classified as an exempt employee, and is paid biweekly.
• He normally works 40 hours per week.
• In June, he worked 85 hours during one pay period and 78 hours during the next.
• He would receive his salary of $2,000 ($52,000/26 periods) for each pay period, no matter how many hours he worked because he is classified as an exempt employee.

• Total pay = $2,000
Monique works as an administrator at a busy hospital. She is paid $52,000 on a weekly basis and is classified as nonexempt. During one week, she worked 50 hours. She would earn her regular weekly wage of $1,000 ($52,000/52 period) plus time and a half for the overtime hours. Based on a 40-hour workweek, her hourly wage is $25 ($52,000/(52x40)), so her overtime pay would be $375 (10 hours x 1.5 x $25).

Total Pay = $1,000 + $375 = $1,375
LO 2-4: Describe Internal Controls and Record Retention for a Payroll System

Review at regular intervals

Plan Strategically

Prevent errors and losses
Review Process Elements

• Managerial Verification of Time Cards

• Verification of Payroll Computations

• Approval of Pay Amounts

• Preparation of Pay Disbursement

• Approval of Pay Disbursement
File Security

• Important part of internal control

• Safeguards governmental obligations

• Involves
  • Multiple passwords
  • Personnel cross-training
  • Electronic encryption
  • Restricted access
  • Duty rotation
Payroll fraud occurrence example

A payroll specialist in Florida was HIV-positive, and was afraid to reveal his illness to employers. Instead, he took the money from his employer to pay for expensive medications.

- He would memorize his coworkers’ usernames and passwords to create “ghost” employees.
- These ghosts’ pay would go to the payroll specialist’s bank account.
- He would falsify the payroll summaries he submitted for approval.
- The payroll specialist was found guilty of embezzling $112,000 before his termination.

Source: Journal of Accountancy
Best Practices: Employee File Maintenance

• IRS Regulation 26 CFR 1.6001
  • Employer responsible for file maintenance
  • Recommends labeling and storage of backups
  • Employer must guarantee auditor access

• IRS Revenue Procedure 98-25
  • Record keeping duration for employers
  • Must include payroll transaction detail
  • Record derivation of executive pay
  • All pay must be benchmarked and justified
Best Practices: Electronic Records

• Closed system
  • Access granted only to specific employees

• Record identifiers and logging
  • Marks who accessed which record and when

• Employers must monitor records for hacker activity
Best Practices: Non-Solo Effort

- More than one person involved in the generation and maintenance of payroll records
- Separation of duties
  - No single person could generate paychecks
- Documentation of employee duties
  - Provides verification of completed tasks
  - Protects employer against fraud
What a Non-Solo Payroll Department Prevents

• Terminated employees could continue to be paid via the payroll system or the funds could be subverted to someone else perpetrating the fraud.

• Sales commission plans, employee bonus plans, incentive programs are all subject to employees’ and management’s manipulation.

• The payroll checks distributed to employees could be stolen individually or en masse prior to their distribution.
Best Practices: Document Retention

• Regulation 26 CFR 1.6001
  • Pertains to manual and computerized records
  • Guideline is 7 years
  • Retention period begins upon final pay disbursement
    *In the event of payroll fraud, all records must be accessible indefinitely*
  • Records for terminated employees must be kept for 7 years following separation

• Employer is responsible for all records, even when payroll is outsourced
In 2012, the U.S. Supreme Court issued specific guidelines to the IRS about the statute of limitations for audits. In *U.S. v. Home Concrete Supply, LLC*, the Court directed the following guidelines about records audits:

- 3 years to assess a taxpayer’s deficiency
- 6 years if the taxpayer’s gross assets were understated by more than 25%
- Unlimited time if intent to commit fraud exists
LO 2-5: Discuss Employee Termination and Document Destruction Procedures

• Paper records
  • Incineration
  • Shredding
  • Pulping

• Electronic records
  • Must be purged from company servers
  • All backup copies must be destroyed
Termination Pay Regulations

• Termination type
  • Involuntary termination ("firing" or "layoff")
  • Voluntary resignation ("quitting")

• Final pay
  • Must contain all hours worked
  • Vacation and sick time owed
  • Any other compensation owed or due
### Final Pay Regulations: Selected States

<table>
<thead>
<tr>
<th>State</th>
<th>Requirement</th>
<th>State</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>AR</td>
<td>Within 7 days of discharge</td>
<td>NV</td>
<td>Immediately upon discharge</td>
</tr>
<tr>
<td>CA</td>
<td>At time of discharge</td>
<td>NH</td>
<td>Within 72 hours</td>
</tr>
<tr>
<td>CO</td>
<td>Immediately upon discharge</td>
<td>NJ</td>
<td>By the next regular payday</td>
</tr>
<tr>
<td>CT</td>
<td>No later than the next business day</td>
<td>NM</td>
<td>Within 5 days when wages are definite, otherwise within 10 days if wages are indefinite</td>
</tr>
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</table>
## Final Pay Regulations: Selected States (continued)

<table>
<thead>
<tr>
<th>State</th>
<th>Final Pay Guidelines</th>
<th>OK</th>
<th>Next Regular Payday</th>
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</thead>
<tbody>
<tr>
<td>GA</td>
<td>No termination pay guidelines</td>
<td>OK</td>
<td>Next regular payday for the pay period</td>
</tr>
<tr>
<td>ID</td>
<td>Within 10 days, excluding weekends and holidays</td>
<td>PA</td>
<td>Next regular payday</td>
</tr>
<tr>
<td>IL</td>
<td>No later than the next payday, immediately if possible</td>
<td>RI</td>
<td>Next regular payday</td>
</tr>
</tbody>
</table>
Summary of Payroll System Procedures

• Payroll system requires careful planning
• Allow room for company growth
• Best practices promote accuracy and prevent fraud
• Records may be paper, computerized, or outsourced
• Records must be maintained securely and allow auditor access
• Final pay for terminated employees must reflect all amounts due