

The Payroll Source

Here are the days of the week that occur 53 times in the calendar years 2015-2020:

2015	Thursday
2016	Friday, Saturday
2017	Sunday
2018	Monday
2019	Tuesday
2020	Wednesday, Thursday

5.8 Review Questions and Exercises

Review Questions

1. What laws govern how often an employer must pay its employees?
2. What are some of the advantages and disadvantages of direct deposit for an employer?
3. What laws cover unclaimed paychecks, and what is generally required of the employer?
4. Explain the process of prenotification under the Automated Clearing House system.
5. Many critics claim that direct deposit is not paperless. Explain why.
6. What are some of the problems that may arise when periodic pay is reduced as a result of an extra payday caused by the calendar?
7. What are some of the benefits for employers in paying employees with electronic paycards?
8. What is a branded paycard?
9. What are the steps involved in establishing an electronic funds transfer?
10. List the disadvantages of paying employees by paycheck as far as the employer is concerned.

True or False Questions

- _____ 1. The Fair Labor Standards Act regulates how often employees must be paid by their employer or how soon they must be paid after performing services.
- _____ 2. Direct deposit is one area where the federal and state governments share regulatory responsibility.
- _____ 3. The Fair Labor Standards Act regulates the payment of wages on termination of employment.
- _____ 4. All states regulate the payment of wages owed to deceased employees.
- _____ 5. A worker who is regularly paid on a weekly basis may receive 53 wage payments in a year.
- _____ 6. Under a direct deposit system, the employees' wages are deposited by electronic funds transfer (EFT) into their personal accounts in one or more financial institutions.
- _____ 7. A biweekly salary is paid twice a month, usually on the 15th and last day of the month.

Section 5: Paying the Employee

- _____ 8. On payday, the RDFI is responsible for crediting the employee's account when direct deposit is used as a method of payment.
- _____ 9. Regulation E establishes the basic rights, requirements and liabilities for the protection of employees being paid through EFT.
- _____ 10. If 250 or more employees consent to direct deposit, then all employees must comply.
- _____ 11. The Fair Labor Standards Act requires that employees be paid at least monthly.
- _____ 12. A paycheck is classified as a negotiable instrument.
- _____ 13. Most states require employers to contact employees in an attempt to keep unclaimed wages from becoming abandoned.
- _____ 14. When selecting a paycard vendor, it is not important for an employer to determine whether the vendor can comply with state wage payment requirements.
- _____ 15. Reduced escheat issues is not an employer benefit of implementing a paycard program.

Multiple Choice Questions

- _____ 1. According to NACHA—The Electronic Payments Association, what was the portion of the U.S. workforce that had their pay directly deposited in 2011?
 - a. 90%
 - b. 25%
 - c. 74%
 - d. 33%
- _____ 2. The employer prepares an automated file of direct deposit records that indicates where its employees' pay is to be deposited. What is the name of the financial institution where this file is then sent?
 - a. Automated Clearing House
 - b. Originating Depository Financial Institution
 - c. NACHA
 - d. Receiving Depository Financial Institution
- _____ 3. How many years must an employer keep the authorization agreement for direct deposit after revocation by the employee?
 - a. At least two years
 - b. At least one year
 - c. There is no retention requirement
 - d. At least three years
- _____ 4. What are "escheat" laws?
 - a. Federal laws governing the treatment of unclaimed wages as abandoned property
 - b. State laws governing the treatment of unclaimed wages as abandoned property
 - c. State laws protecting employees from their employer
 - d. State laws outlining the frequency with which employees are paid

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- _____ 5. Which day of the week occurs 53 times in 2016?
- Friday
 - Thursday
 - Tuesday
 - Wednesday
- _____ 6. Once an employee has given authorization for EFT and the employer creates electronic pay transactions for deposit, where does the employer send them?
- ACH
 - RDFI
 - ODFI
 - NACHA
- _____ 7. Under the EFT system, what participating party receives the individual transactions and posts them to the customers'/employees' accounts?
- ODFI
 - ACH
 - RDFI
 - NACHA
- _____ 8. Which of the following laws and regulations does not regulate EFT?
- Regulation E
 - Title IX of the Consumer Credit Protection Act
 - Fair Labor Standards Act
 - Electronic Fund Transfer Act
- _____ 9. Which of the following agencies made it necessary for NACHA to adopt rules creating special requirements for International ACH Transactions?
- Internal Revenue Service
 - Federal Reserve Board
 - Department of State
 - Office of Foreign Assets Control
- _____ 10. Which of the following participants in the direct deposit process distributes EFT payments to the receiving financial institutions?
- ODFI
 - ACH
 - RDFI
 - FRB
- _____ 11. Which of the following steps must an employer take before initiating an International ACH Transaction (IAT)?
- Contact the Office of Foreign Assets Control to let them know about the IAT
 - No steps need to be taken
 - Add coding to the transaction that identifies it as an IAT
 - Contact the RDFI to let them know that an IAT is being processed

Section 5: Paying the Employee

- _____ 12. Which of the following features is a possible disadvantage of the direct deposit system to the employer?
- a. Direct deposit
 - b. Loss of float
 - c. Check printing cost
 - d. Check storage cost
- _____ 13. Which of the following is NOT an employer benefit of using paycards to pay employee wages?
- a. Reduced costs for off-cycle checks
 - b. All employees are eligible for electronic pay
 - c. Increased escheat issues
 - d. Increased employee productivity because of less time spent cashing paychecks
- _____ 14. Which of the following is NOT an employee benefit of using paycards to pay employee wages?
- a. Eliminating check cashing fees
 - b. Increased risk of paycheck theft
 - c. Protection from loss because paycard can be replaced
 - d. No time or geographic limitations on funds access
- _____ 15. If an employer uses prenotification to test the employee's banking information before initiating direct deposit, how long before any actual pay is sent through the ACH network must the prenotification be sent?
- a. 3 banking days
 - b. 2 weeks
 - c. 6 banking days
 - d. 6 calendar days