

CHAPTER 2

True-False Questions

- F
2-2
1. Under the FLSA enterprise coverage test, hospitals and nursing homes are only covered if their annual charges for services are at least \$500,000.
- T
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2. Institutions of higher education are extended coverage under FLSA without regard to their annual sales volume.
- F
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3. If a business does not meet the enterprise coverage test, none of its workers qualify for individual employee coverage.
- F
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4. Domestic workers are excluded from coverage under the FLSA individual employee coverage.
- F
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5. Under the FLSA, severance pay is excluded from the definition of wages.
- F
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6. The term *wage* refers to remuneration paid only on an hourly basis.
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2-4
7. Employees paid biweekly receive their remuneration every two weeks.
- F
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8. In May 2013, workers who receive the minimum hourly wage are paid \$6.10 an hour.
- F
2-5
9. A retail shop may employ a full-time student at \$5.00 per hour.
- T
2-5
10. A college may employ its own full-time students at 85 percent of the minimum wage.
- F
2-5
11. All major cities have enacted ordinances establishing a so-called “living wage” at \$8.25 per hour.
- F
2-6
12. The FLSA defines a tipped employee as one who regularly receives tips of more than \$20 a month.
- T
2-6
13. An employer can credit up to \$5.12 of a tipped employee’s minimum wage as coming from the tips received by that employee.
- T
2-7
14. The FLSA requires that workers receive overtime pay for all hours worked in excess of 40 in a workweek.
- F
2-7
15. The FLSA requires that workers receive overtime pay of twice the employees’ regular hourly rate for hours worked on Sunday.
- T
2-8
16. Employees who are receiving remedial education may work up to 10 hours overtime each week without receiving overtime pay.

- T
2-8 **17.** Public safety employees of a state can be granted compensatory time off in lieu of overtime compensation.
- F
2-8 **18.** No employer can grant compensatory time off to employees in place of overtime pay.
- F
2-9 **19.** Exempt professional employees are exempt from all provisions of the FLSA—minimum wages, overtime pay, and equal pay.
- T
2-10 **20.** Employees paid by the hour without a guarantee of a weekly minimum salary do not qualify for the salary test for white-collar workers.
- T
2-10 **21.** One of the tests to be met for the white-collar exemption for an executive is to be paid a salary of at least \$455 per week.
- F
2-10 **22.** The Equal Pay Act stipulates that there cannot be any wage differentials between the sexes.
- F
2-11 **23.** Under no conditions may children under age 16 be employed in food service establishments.
- F
2-11 **24.** The FLSA sets no limits upon the number of hours that a 15-year-old person may work so long as the overtime pay provisions are met.
- F
2-12 **25.** The FLSA requires that employees be given the day off on all Monday holidays or be paid time and one-half for those Mondays.
- F
2-13 **26.** When employees spend time changing clothes on the employer's premises, this time must be counted as part of their principal activities for which they are always fully compensated.
- T
2-14 **27.** Provided employees can use the on-call time for their own purposes, this time is not compensable.
- F
2-14 **28.** The FLSA requires that employees be given at least two 15-minute rest periods each workday.
- T
2-14 **29.** Bona fide meal periods when the employee is completely relieved from duty are not considered working time.
- F
2-14 **30.** "Engaged to wait" and "waiting to be engaged" are both considered work time.
- F
2-15 **31.** The courts have ruled that preliminary and postliminary activities, even if indispensable to the main activities of an employee, do not constitute work time.
- T
2-16 **32.** Employers may adopt the practice of recording an employee's starting and stopping time to the nearest quarter of an hour.
- F
2-16 **33.** The FLSA contains detailed specifications of the methods that employers must follow in keeping time records.
- T
2-17 **34.** Under the continental system of recording time, 9:00 A.M. is recorded as 900 while 9:00 P.M. is recorded as 2100.

- F 2-22 35. In converting semimonthly wage rates to hourly rates, divide the semi-monthly rate by 4 to arrive at the weekly rate, then divide this rate by the standard number of hours.
- T 2-25 36. Under the piece-rate system, workers are paid according to their output.
- F 2-27 37. Although commissions are considered payments for hours worked, in all cases they are excluded when determining the regular hourly rate.
- T 2-27 38. To calculate the overtime pay rate for a commissioned worker, divide the total commission by the hours worked, and then take one-half of the resulting rate of pay.
- T 2-27 39. Nondiscretionary bonuses are part of the determination of regular rate of pay.
- T 2-28 40. Payments made to a bona fide profit-sharing plan that meets the standards set by the secretary of labor's regulations are not deemed wages in determining the regular rate of pay.

Multiple-Choice Questions

- d 2-2 1. Under *enterprise coverage*, all employees of a business are covered by the FLSA if the organization is:
- a nursing home.
 - a public agency.
 - a hospital.
 - all of the above.
 - none of the above.
- d 2-2, 2-3 2. Under *individual employee coverage*, the worker is covered by the FLSA if:
- the worker produces goods for interstate commerce.
 - the worker is a housekeeper in a private home for 16 hours a week.
 - the domestic receives cash wages of at least \$1,700 from the employer in the calendar year.
 - all of the above.
 - none of the above.
- a 2-4 3. Under the FLSA, regular rate of pay does not include:
- vacation pay.
 - severance pay.
 - overtime pay.
 - earned bonuses.
 - All of the above are considered wages.

- e
2-4
4. In August 2012, the minimum hourly wage was:
- \$3.35.
 - \$7.15.
 - \$5.85.
 - \$5.15.
 - none of the above.
- e
2-6
5. The tips received by a tipped employee are less than \$5.12 of the minimum hourly tip credit rate. The maximum permissible tip credit is:
- \$30 a month.
 - \$5.12 an hour.
 - 45% of the employee's minimum wage.
 - 50% of the employee's minimum wage.
 - the amount of tips actually received by the employee.
- c
2-7
6. Under the FLSA, overtime pay is required for:
- any hours worked in excess of 8 in one day.
 - all work on Sunday.
 - all hours worked in excess of 40 in a workweek.
 - all hours worked on Christmas.
 - all of the above.
- e
2-9
7. Workers exempt from all of the FLSA requirements include:
- employees paid by the hour.
 - clerk-typists earning less than \$200 a week.
 - taxicab drivers.
 - motion picture theater employees.
 - none of the above.
- c
2-11
8. Under the Equal Pay Act:
- employers must pay a married male a higher wage rate than a single female if both are performing equal work.
 - white-collar workers are exempt from its requirements.
 - wage differentials based on a seniority system are allowed.
 - if there is an unlawful pay differential, employers may reduce the higher rate to equal the lower rate.
 - none of the above.
- a
2-12
9. If an employer is unable to obtain a certificate of age or a work permit for a minor employee, the employer may rely upon what document as evidence of age?
- Baptism record
 - Mother's statement as to date of birth
 - High school enrollment form showing date of birth
 - Minor employee's statement as to date of birth
 - None of the above

- e 2-12, 2-13 **10.** Which of the following is *not* required by the FLSA?
- Extra pay for work on holidays
 - Two weeks' vacation pay after one year of service
 - Restriction on hours worked by a 17-year-old worker
 - All of the above are required.
 - None of the above is required.
- d 2-13 **11.** Those tasks that employees must perform and which include any work of consequence performed for the employer are known as:
- preliminary activities.
 - postliminary activities.
 - work activities.
 - principal activities.
 - none of the above.
- d 2-14 **12.** Rest periods and coffee breaks may be required by all of the following *except*:
- a union contract.
 - a state legislation.
 - a municipal legislation.
 - the FLSA.
 - none of the above.
- b 2-15 **13.** Training sessions are counted as working time when the following condition is met:
- the employee's attendance is voluntary.
 - the employer requires the employee's attendance.
 - the training sessions are for the primary benefit of the employee.
 - the session takes place outside the regular working hours.
 - the session is not directly related to the employee's work.
- d 2-16 **14.** The Wage and Hour Division allows the practice of recording an employee's starting and stopping time to:
- the nearest five minutes.
 - the nearest tenth of an hour.
 - the nearest quarter of an hour.
 - all of the above.
 - none of the above.
- c 2-16 **15.** The FLSA requires:
- that employers use time cards to record the employees' time worked.
 - that employers use the continental time system to record all time worked by employees.
 - that employers keep records that show the hours each employee worked each workday and each workweek.
 - that employees sign each clock card.
 - none of the above.

- c
2-17
16. Under the continental system of recording time, 9:20 P.M. is recorded as:
- P2120.
 - 9:20P.
 - 2120.
 - 2220.
 - none of the above.
- e
2-20
17. If an employee works two jobs at two different wage rates for the same employer during the same payweek, any overtime pay must be calculated by using an overtime hourly rate of:
- one and one-half the higher of the two wage rates.
 - one and one-half the lowest of the two wage rates.
 - one-half of the higher of the two wage rates.
 - one-half of the two rates combined.
 - none of the above.
- e
2-23
18. Employers may pay nonexempt employees who work fluctuating schedules a fixed salary. In these cases, the extra pay is:
- calculated at a time and one-half rate.
 - calculated at a double time rate.
 - calculated at the regular rate of pay.
 - unpaid.
 - none of the above.
- a
2-25
19. To determine a pieceworker's *regular hourly rate* for one week:
- divide the total weekly earnings from piece rates and all other sources by the hours worked in the week.
 - divide the total weekly earnings from piece rates by the number of pieces produced.
 - divide the total weekly earnings from piece rates, less earnings from other sources, by the hours worked in a week.
 - add the total weekly earnings from piece rates and all other sources and divide by the total number of pieces produced.
 - do none of the above.
- b
2-26
20. A stated percentage of revenue paid an employee who transacts a piece of business or performs a service is called:
- a piece rate.
 - a commission.
 - a regular hourly rate.
 - a remunerative salary.
 - none of the above.

Problem-Solving

NOTE: In all problems, *unless instructed otherwise*, compute the hourly and overtime rates as follows:

1. Carry the hourly rate and the overtime rate to 3 decimal places and then round off to 2 decimal places (round the hourly rate to 2 decimal places before multiplying by one and one-half to determine the overtime rate).
2. If the third decimal place is 5 or more, round to the next higher cent.
3. If the third decimal place is less than 5, drop the third decimal place.

Also, use the minimum hourly wage of \$7.25 in solving these problems and all that follow.

1. Abel works a 37½-hour week at \$7.75 an hour. Overtime hours are paid at 1½ times the regular rate.

(a) Abel's regular weekly earnings are $(37\frac{1}{2} \times \$7.75)$	\$290.63
(b) Abel's overtime rate is $(\$7.75 \times 1.5)$	\$11.63
(c) Abel works 6 hours overtime during one week. Abel's weekly gross earnings are $[\$290.63 + (6 \times \$11.63)]$	\$360.41

2. Jack Kentson works a 40-hour week with overtime paid at 1½ times his regular rate of pay of \$14.88. This week he worked 42 hours, which resulted in a gross pay of $[(40 \times \$14.88) + (2 \times \$14.88 \times 1.5)]$
3. Carolyn Clark, a full-time student at Atlanta State University, works at the Barclay Dress Shop. In order not to violate the FLSA, the least salary that Barclay could pay Clark for her 28-hour workweek is $(28 \times \$6.17)$
4. Bakker is paid an hourly rate of \$7.65. For 130 minutes spent on a certain job, Bakker is paid $(\$7.65 \times 130/60)$
5. Annette Henri is paid an hourly wage of \$8.90 for a 32-hour workweek of 4 days, 8 hours daily. For any work on the fifth day and on Saturdays, she is paid one and one-half times her regular hourly rate. During a certain week, in addition to her regular 32 hours, Henri worked 6 hours on the fifth day and 5 hours on Saturday. For this workweek, Henri's total earnings are $[(32 \times \$8.90) + (11 \times \$8.90 \times 1.5)]$
6. Jose Cruz earns \$2,275 each month and works 37½ hours each week. His employer pays him overtime (for hours beyond 37½) and uses the overtime premium approach. Cruz's overtime premium hourly rate is $(\$2,275 \times 12 = \$27,300 \div 52 = \$525 \div 37\frac{1}{2} = \$14.00 \times \frac{1}{2})$

7. Every two weeks, Linda Corson is paid \$650. Corson works a 32-hour week. For overtime, she receives extra pay at the regular hourly rate up to 40 hours. For any hours beyond 40 during the workweek, she receives time and one-half. During one biweekly pay period, she worked 17 hours overtime. Only 3 hours of the overtime were beyond 40 hours in any one week. Corson's gross earnings for the biweekly pay period are $\{\$650 \div 64 = \$10.16; [\$650 + (14 \times \$10.16) + (3 \times \$10.16 \times 1.5)]\}$ \$837.96
8. Carla Maloney is a waitress who regularly receives \$80 each week in tips and works 40 hours each week. The minimum gross weekly pay, excluding tips, that the restaurant could pay Maloney without violating the FLSA is $[(40 \times \$7.25) - \$80]$ \$210.00
9. Elder is paid a monthly salary of \$2,250. Overtime is paid for hours beyond 40 in each workweek. One week, Elder works 7 hours overtime. Elder's gross pay for the week is $\{(12 \times \$2,250) \div 52 = \$519.23 \div 40 = \$12.98; [\$519.23 + (7 \times \$12.98 \times 1.5)]\}$ \$655.52
10. Kevin Kurtz is a newly hired exempt employee who earns an annual salary of \$67,600. Since he started work on Thursday (5-day week ends on Friday), his pay for the first week of work would be $[(\$67,600 \div 52) \times 2/5]$ \$520.00
11. Fall is paid a biweekly salary of \$637.50. Overtime is paid for hours beyond 40 in each workweek. One week, Fall works 3 hours overtime. Fall's pay for this biweekly pay period is $(\$637.50 \div 80 = \$7.97 \times 1.5 = \$11.96 \times 3 = \$35.88 + \$637.50)$ \$673.38
12. Gates is paid a semimonthly salary of \$800.00. Overtime is paid for hours beyond 40 in each workweek. One week, Gates works $6\frac{3}{4}$ hours overtime. Gates' pay for this semimonthly pay period is $(24 \times \$800 = \$19,200 \div 52 = \$369.23 \div 40 = \$9.23 \times 1.5 = \$13.85 \times 6\frac{3}{4} = \$93.49 + \$800)$ \$893.49
13. Stacy Forvour is a salaried employee who works fluctuating workweeks. She is paid \$680 per workweek. This week, she worked 46 hours. Forvour's total gross pay if her employer uses the special half-rate (based on total hours worked) for overtime pay is $(\$680 \div 46 = \$14.78 \times \frac{1}{2} = \$7.39 \times 6 = \$44.34 + \$680)$ \$724.34
14. Casey Klemons' agreement (BELO plan) with his employer provides for a pay rate of \$16.50 per hour with a maximum of 50 hours. How much would Klemons be paid for a week in which he worked 46 hours? $[50 \times \$16.50 = \$825; (10 \times 0.5 \times \$16.50 = \$82.50 + \$825)]$ \$907.50
15. Hall receives $18\frac{1}{2}$ cents for every unit produced. Hall produces 575 units in an 8-hour workday. Hall's daily wages are $(575 \times \$0.185)$ \$106.38

- 16.** Ides receives 16 cents for every unit produced. Ides produces 2,976 pieces in a 43-hour workweek. For overtime, Ides is paid a sum equal to one-half the regular hourly pay rate multiplied by the number of overtime hours. Ides' total piecework and overtime earnings are $(2,976 \times \$0.16 = \$476.16 \div 43 = \$11.07 \times 0.5 = \$5.54 \times 3 = \$16.62 + \$476.16)$ \$492.78
- 17.** Gorman is paid \$10.50 per hour for a 35-hour workweek. This past week, he worked an extra 10 hours on a job at a pay rate of \$13.00 per hour. If he is only paid overtime for hours over 40 and the employer uses the average rate method, his total earnings for the 45 hours of work was $[(35 \times \$10.50) + (10 \times \$13.00) = \$497.50 \div 45 = \$11.06 \times 0.5 = (\$5.53 \times 5) + \$497.50]$ \$525.15
- 18.** Kenneth Anderson works two separate jobs for Mesa Company. During the week, Job A consisted of 38 hours at \$20 per hour; Job B involved 15 hours at \$14 per hour. If Mesa uses the average rate basis for calculating overtime, Anderson's pay for that week is $[(38 \times \$20) + (15 \times \$14) = \$970 \div 53 = \$18.30 \times 0.5 = \$9.15 \times 13 = \$118.95 + \$970]$ \$1,088.95
- 19.** Kerr receives an annual \$25,700 base salary for working the territory in Arizona. A quota of \$900,000 in sales has been set for that state. Kerr receives an 8% commission on all sales in excess of \$900,000. This year, the sales are \$965,000. The total earnings due Kerr this year are $(\$965,000 - \$900,000 = \$65,000 \times 0.08 = \$5,200 + \$25,700)$ \$30,900.00
- 20.** Kelli England earns \$12.30 per hour and has earned a production bonus this week of \$37.10. If England worked 44 hours this week, her gross pay is $(44 \times \$12.30 = \$541.20 + \$37.10 = \$578.30 \div 44 = \$13.14 \times 0.5 = \$6.57 \times 4 = \$26.28 + \$578.30)$ \$604.58

