

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
2-2
2. Institutions of higher education are extended coverage under FLSA without regard to their annual sales volume.
- F
2-2
3. If a business does not meet the enterprise coverage test, none of its workers qualify for individual employee coverage.
- F
2-3
4. Domestics are excluded from coverage under the FLSA individual employee coverage.
- F
2-4
5. A discretionary bonus is included in an employee's regular rate of pay.
- F
2-4
6. All interns in the for-profit sector are exempt from the minimum wage and overtime requirements of the FLSA.
- T
2-4
7. Employees paid biweekly receive their remuneration every two weeks.
- F
2-4
8. In January 2019, 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
2-6
11. All major cities have enacted ordinances establishing a so-called "living wage" at \$10.25 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
2-8
14. The FLSA requires that workers receive overtime pay for all hours worked in excess of 40 in a workweek.
- F
2-8
15. The FLSA requires that workers receive overtime pay of twice the employees' regular hourly rate for hours worked on Sunday.
- T
2-9
16. Employees who are receiving remedial education may work up to 10 hours overtime each week without receiving overtime pay.

- T
2-9 **17.** Public safety employees of a state can be granted compensatory time off in lieu of overtime compensation.
- F
2-9 **18.** All employers can grant compensatory time off to employees in place of overtime pay.
- F
2-10 **19.** Exempt professional employees are exempt from all provisions of the FLSA—minimum wages, overtime pay, and equal pay.
- T
2-11 **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.
- F
2-11 **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 \$1,000 per week.
- F
2-12 **22.** The Equal Pay Act stipulates that there cannot be any wage differentials between the sexes.
- F
2-12 **23.** Under no conditions may children under age 16 be employed in food service establishments.
- F
2-13 **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
2-14 **25.** Violators of the overtime provision of the FLSA are required to pay the unpaid overtime at triple the employee's hourly rate.
- F
2-15 **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
2-16 **27.** Provided employees can use the on-call time for their own purposes, this time is not compensable.
- F
2-16 **28.** The FLSA requires that employees be given at least two 15-minute rest periods each workday.
- T
2-17 **29.** Bona fide meal periods when the employee is completely relieved from duty are not considered working time.
- F
2-16 **30.** "Engaged to wait" and "waiting to be engaged" are both considered work time.
- F
2-17 **31.** Hourly employees who take work home without the permission of the employer do not have to be paid for the work done at home.
- T
2-18 **32.** Employers may adopt the practice of recording an employee's starting and stopping time to the nearest quarter of an hour.
- F
2-19 **33.** The FLSA contains detailed specifications of the methods that employers must follow in keeping time records.
- T
2-20 **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
2-24 **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
2-27 **36.** Under the piece-rate system, workers are paid according to their output.
- F
2-30 **37.** Although commissions are considered payments for hours worked, in all cases they are excluded when determining the regular hourly rate.
- T
2-30 **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
2-30 **39.** Nondiscretionary bonuses are part of the determination of regular rate of pay.
- T
2-30 **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
2-1 **1.** Under *enterprise coverage*, all employees of a business are covered by the FLSA if the organization is:
a. a nursing home.
b. a public agency.
c. a hospital.
d. all of the above.
e. none of the above.
- d
2-2 **2.** Under *individual employee coverage*, the worker is covered by the FLSA if:
a. the worker produces goods for interstate commerce.
b. the worker is a housekeeper in a private home for 16 hours a week.
c. the domestic receives cash wages of at least \$2,100 from the employer in the calendar year.
d. all of the above.
e. none of the above.
- a
2-4 **3.** Under the FLSA, regular rate of pay does not include:
a. vacation pay.
b. severance pay.
c. overtime pay.
d. earned bonuses.
e. All of the above are considered wages.

- e
2-4
4. In January 2019, the minimum hourly wage was:
- \$9.35.
 - \$12.15.
 - \$10.00.
 - \$8.15.
 - 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
2-8
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
2-10
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
2-12
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
2-13
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
2-14
- 10.** Which of the following is *not* required by the FLSA?
- a. Extra pay for work on holidays
 - b. Two weeks' vacation pay after one year of service
 - c. Restriction on hours worked by a 17-year-old worker
 - d. All of the above are required.
 - e. None of the above is required.
- d
2-15
- 11.** Those tasks that employees must perform and which include any work of consequence performed for the employer are known as:
- a. preliminary activities.
 - b. postliminary activities.
 - c. work activities.
 - d. principal activities.
 - e. none of the above.
- d
2-16
- 12.** Rest periods and coffee breaks may be required by all of the following *except*:
- a. a union contract.
 - b. a state legislation.
 - c. a municipal legislation.
 - d. the FLSA.
 - e. none of the above.
- b
2-17
- 13.** Training sessions are counted as working time when the following condition is met:
- a. the employee's attendance is voluntary.
 - b. the employer requires the employee's attendance.
 - c. the training sessions are for the primary benefit of the employee.
 - d. the session takes place outside the regular working hours.
 - e. the session is not directly related to the employee's work.
- d
2-18
- 14.** The Wage and Hour Division allows the practice of recording an employee's starting and stopping time to:
- a. the nearest five minutes.
 - b. the nearest tenth of an hour.
 - c. the nearest quarter of an hour.
 - d. all of the above.
 - e. none of the above.
- c
2-19
- 15.** The FLSA requires:
- a. that employers use time cards to record the employees' time worked.
 - b. that employers use the continental time system to record all time worked by employees.
 - c. that employers keep records that show the hours each employee worked each workday and each workweek.
 - d. that employees sign each clock card.
 - e. none of the above.

- c
2-20
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
2-23
17. If an employee works two jobs at two different wage rates for the same employer during the same pay week, 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 lower 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
2-26
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
2-27
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
2-29
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 \$10.75 an hour. Overtime hours are paid at 1½ times the regular rate.

(a) Abel’s regular weekly earnings are $(37\frac{1}{2} \times \$10.75)$	\$403.13
(b) Abel’s overtime rate is $(\$10.75 \times 1.5)$	\$16.13
(c) Abel works 6 hours overtime during one week. Abel’s weekly gross earnings are $[\$403.13 + (6 \times \$16.13)]$	\$499.91

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 $[(40 \times \$14.88) + (2 \times \$14.88 \times 1.5)]$ \$639.84

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 $(28 \times \$6.17)$ \$172.76

4. Bakker is paid an hourly rate of \$10.65. For 130 minutes spent on a certain job, Bakker is paid $(\$10.65 \times 130/60)$ \$23.08

5. Annette Henri is paid an hourly wage of \$10.90 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 $[(32 \times \$10.90) + (11 \times \$10.90 \times 1.5)]$ \$528.65

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 $(\$2,275 \times 12 = \$27,300 \div 52 = \$525 \div 37\frac{1}{2} = \$14.00 \times \frac{1}{2})$ \$7.00

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 \$937.50. 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 $(\$937.50 \div 80 = \$11.72 \times 1.5 = \$17.58 \times 3 = \$52.74 + \$937.50)$ \$990.24
12. Gates is paid a semimonthly salary of \$900.00. 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 $(24 \times \$900 = \$21,600 \div 52 = \$415.38 \div 40 = \$10.38 \times 1.5 = \$15.57 \times 6\frac{3}{4} = \$105.10 + \$900)$ \$1,005.10
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 were $[(35 \times \$10.50) + (10 \times \$13.00) = \$497.50 \div 45 = \$11.06 \times 0.5 = (\$5.53 \times 5) + \$497.50]$ \$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 percent 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

