

# Exam National Payroll Institute PF1 Guide Materials, Test PF1 Engine



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# National Payroll Institute Payroll Fundamentals 1 Exam Sample Questions (Q50-Q55):

## NEW QUESTION # 50

A retiring allowance includes:

- A. Vacation pay
- B. None of the above
- C. Accumulated overtime
- D. Legislated wages in lieu of notice in Quebec
- E. Bonus or incentive pay

**Answer: B**

Explanation:

The CRA defines a retiring allowance (also called severance pay) as an amount paid when or after an employee retires or loses their job, in recognition of long service or for the loss of employment.

However, the CRA is also explicit about what a retiring allowance does not include. It does not include "salary, wages, bonuses, [or] overtime," which rules out bonus/incentive pay and accumulated overtime in the options. It also does not include "payments for accumulated vacation leave not taken," which rules out vacation pay as a retiring allowance. Finally, it does not include wages in lieu of termination notice, which rules out wages in lieu (including legislated notice pay) as a retiring allowance. Because every listed item is specifically excluded by CRA guidance, the correct answer is None of the above (E).

## NEW QUESTION # 51

(PF1 Exam - Net Pay Calculation Template Worksheet: Quebec)

Question ID: pfl-exam-npc-q-f

Mara Poirier works for Affordable Transport in Quebec and earns an annual salary of \$54,500.00, paid on a semi-monthly basis.

In addition to her regular salary, Mara's employer provides the following benefits:

Group term life insurance coverage through a third party of two times her annual salary.

Monthly group term life insurance premiums are \$0.57 per \$1,000.00 of coverage, excluding taxes.

Private health insurance benefits with a monthly premium of \$260.00, excluding taxes.

The tax on insurance premiums in Quebec is 9%.

Mara's federal TD1 claim code is 3 and her provincial TP-1015.3-V deduction code is C.

Mara will not reach the annual maximums for QPP, EI, or QPIP in this pay period.

Required: Calculate Mara's net pay, following the order of the steps in the net pay template.

EXHIBIT A - Net Pay Template (Fill in all blanks)

Earnings / Income Bases

Line Item	Amount (\$)
Gross Taxable Earnings (GTE)	_____
Pensionable Earnings (PE)	_____
Insurable Earnings (IE)	_____
Net Taxable Income (CRA) (NTI)	_____
Net Taxable Income (RQ) (NTI)	_____

Statutory Deductions	Amount (\$)
QPP contribution	_____
EI premium	_____
QPIP premium	_____
Income tax (federal)	_____
Income tax (Quebec provincial)	_____

Totals	Amount (\$)
Total deductions	_____
Net pay	_____

Input	Value
Province of employment	Quebec
Pay frequency	Semi-monthly (24 pay periods/year)
Annual salary	\$54,500.00
Group term life coverage	2 × annual salary
Group term life premium rate	\$0.57 per \$1,000 per month (excl. tax)
Private health insurance premium	\$260.00 per month (excl. tax)
Quebec tax on insurance premiums	9%
Federal TD1 claim code	3
Quebec TP-1015.3-V deduction code	C
Annual max QPP/EI/QPIP reached this pay?	No

- Step 1 - Calculate Mara's gross earnings for this pay period (GTE).  
[ \_\_\_\_\_ ]
- Step 2 - Calculate the pensionable earnings (PE).  
[ \_\_\_\_\_ ]
- Step 3 - Calculate the insurable earnings (IE).  
[ \_\_\_\_\_ ]
- Step 4 - Calculate the net taxable income (CRA) (NTI).  
[ \_\_\_\_\_ ]
- Step 5 - Calculate the net taxable income (RQ) (NTI).  
[ \_\_\_\_\_ ]
- Step 6 - Calculate Mara's Quebec Pension Plan (QPP) contribution.  
[ \_\_\_\_\_ ]
- Step 7 - Calculate Mara's Employment Insurance (EI) premium.  
[ \_\_\_\_\_ ]
- Step 8 - Calculate Mara's Quebec Parental Insurance Plan (QPIP) premium.  
[ \_\_\_\_\_ ]
- Step 9 - Determine Mara's federal income tax.  
[ \_\_\_\_\_ ]
- Step 10 - Determine Mara's Quebec provincial income tax.

[ \_\_\_\_\_ ]

Step 11 - Calculate Mara's total deductions.

[ \_\_\_\_\_ ]

Step 12 - Calculate Mara's net pay.

[ \_\_\_\_\_ ]

**Answer:**

Explanation:

See the Explanation part for answer for each step.

Explanation:

Step 1 - Mara's gross earnings / taxable earnings components

Semi-monthly salary =  $\$54,500.00 \div 24 = \$2,270.83$

Life insurance coverage =  $2 \times \$54,500 = \$109,000$

Monthly premium (excl. tax) =  $109 \times \$0.57 = \$62.13$

9% insurance premium tax =  $\$62.13 \times 1.09 = \$67.72$

Semi-monthly taxable benefit =  $\$67.72 \div 2 = \$33.86$

Health premium (excl. tax) =  $\$260.00$

9% insurance premium tax =  $\$260.00 \times 1.09 = \$283.40$

Semi-monthly taxable benefit (Quebec) =  $\$283.40 \div 2 = \$141.70$

GTE (total taxable in Quebec) =  $2,270.83 + 33.86 + 141.70 = \$2,446.39$

Step 2 - Pensionable earnings (PE)

For this calculation, treat salary + taxable group term life as pensionable for QPP withholding, while EI remains non-insurable for non-cash benefits.

PE =  $2,270.83 + 33.86 = \$2,304.69$

Step 3 - Insurable earnings (IE)

IE = salary only =  $\$2,270.83$

Step 4 - Net taxable income (CRA) (NTI)

Federal taxable income uses salary plus taxable benefits used for federal withholding tables here.

NTI (CRA) =  $\$2,304.69$

Step 5 - Net taxable income (RQ) (NTI)

NTI (RQ) =  $\$2,446.39$

Step 6 - QPP contribution

Use the QPP employee rate (basic + additional) and apply the basic exemption prorated per pay period.

Basic exemption per semi-monthly period =  $\$3,500 \div 24 = \$145.83$

Contributory earnings = PE #  $145.83 = 2,304.69 \# 145.83 = \$2,158.86$

QPP =  $2,158.86 \times 6.4\% = \$138.17$

QPP =  $\$138.17$

Step 7 - EI premium

Quebec EI employee rate for 2026: 1.30%.

EI =  $2,270.83 \times 0.0130 = \$29.52$

Step 8 - QPIP premium

Use the Revenu Quebec employee QPIP rate shown for 2026.

QPIP =  $2,270.83 \times 0.00430 = \$9.76$

Step 9 - Federal income tax

From the CRA Quebec federal tax deductions table (24 pay periods), at pay  $\$2,304.69$  (range 2288-2306) and claim code 3, the federal tax is:

Federal tax =  $\$139.95$

Step 10 - Quebec provincial income tax

From TP-1015.TI.24 (24 pay periods) at remuneration  $\$2,446.39$  (range 2445.00-2464.99) and deduction code C, the tax is:

Quebec tax =  $\$214.81$

Step 11 - Total deductions

QPP 138.17

EI 29.52

QPIP 9.76

Federal 139.95

Quebec 214.81

=  $\$532.21$

Total deductions =  $\$532.21$

Step 12 - Net pay

Net pay is based on cash pay (salary) minus deductions (tax still applies even when part of taxable income is a benefit).

Net pay = 2,270.83 # 532.21 = \$1,738.62

### NEW QUESTION # 52

Matt earns \$10.10 per hour and works 37.5 hours per week. Calculate Matt's regular bi-weekly earnings.

**Answer:**

Explanation:

\$757.50

Explanation:

Regular earnings for an hourly employee are calculated as hourly rate  $\times$  hours worked. Because "bi-weekly" means two weeks of work paid together, you calculate one week's regular earnings and then multiply by two (assuming the hours are the same each week and there is no overtime premium indicated).

Step 1: Weekly regular earnings:

$\$10.10 \times 37.5 \text{ hours} = \$10.10 \times 37 + \$10.10 \times 0.5$

$= \$373.70 + \$5.05$

$= \$378.75$ .

Step 2: Bi-weekly regular earnings (2 weeks):

$\$378.75 \times 2 = \$757.50$ .

So Matt's regular bi-weekly earnings are \$757.50.

In payroll documentation, "regular earnings" are the employee's base wages before statutory deductions (CPP/QPP, EI, income tax) and before other deductions, and they exclude any separately calculated earnings like overtime premiums or taxable benefits unless stated. This approach (rate  $\times$  hours, then adjust for pay period) is the standard method used to compute gross/regular pay for hourly employees before moving on to deductions and net pay.

### NEW QUESTION # 53

Charlene receives \$50.00 each pay for her meals. This is an example of:

- A. None of the above
- B. A benefit
- C. An allowance
- D. A reimbursement

**Answer: C**

Explanation:

A fixed amount paid to an employee for meals each pay period is typically a meal allowance. CRA guidance distinguishes an allowance from a reimbursement: an allowance is usually a set amount paid without the employee having to submit receipts for actual costs, while a reimbursement repays specific expenses and is generally supported by receipts or an expense claim.

Because Charlene "receives \$50.00 each pay for her meals," it is a flat amount, which aligns with an allowance rather than a reimbursement. Whether the allowance is taxable or non-taxable depends on the facts (for example, whether it is reasonable and paid under conditions CRA recognizes as non-taxable for certain travel situations). If it's not a reasonable travel allowance under CRA's exceptions, it is generally a taxable allowance and must be included in income with appropriate deductions.

So the correct classification is A (an allowance).

### NEW QUESTION # 54

National Hardware, an Ontario organization, will be terminating the employment of Emilie St. Germain on October 28, 2019, the last day of the pay period. Emilie started with National Hardware on September 19,

2007. Complete the paper Record of Employment (ROE) for Emilie based on the information provided in the following chart.

Note: Vacationable earnings already include the pay in lieu of notice.

All dates must be entered in the format DDMMYYYY.

Item	Information
Pay period type	Bi-weekly
Social Insurance Number	435837159
First day worked	September 19, 2007
Last day for which paid	October 28, 2019
Final pay period ending date	October 28, 2019
Hours worked per pay	80.00
Pay period earnings	\$1,884.62
Vacation pay rate	6%
Vacationable earnings	\$52,050.00
Pay in lieu of notice	8 weeks
Severance	10 weeks

Paper ROE (Form Reference)

Complete the following paper ROE blocks for Emilie:

Block 6 - Pay period type

Block 8 - Social Insurance Number

Block 10 - First day worked

Block 11 - Last day for which paid

Block 12 - Final pay period ending date

Block 15A - Total insurable hours

Block 15B - Total insurable earnings

Block 17A - Vacation pay

Block 17C - Other monies (Pay in lieu of notice)

Block 17C - Other monies (Severance)

Step 1 - Complete Block 6

Enter the pay period type for Emilie.

Step 2 - Complete Block 8

Enter Emilie's Social Insurance Number.

Step 3 - Complete Block 10

Enter Emilie's first day worked in DDMMYYYY format.

Step 4 - Complete Block 11

Enter Emilie's last day for which paid in DDMMYYYY format.

Step 5 - Complete Block 12

Enter the final pay period ending date in DDMMYYYY format.

Step 6 - Complete Block 15A

Calculate and enter total insurable hours.

Given:

Hours worked per pay period = 80.00

Bi-weekly ROE pay period chart captures 27 pay periods

Step 7 - Complete Block 15B

Calculate and enter total insurable earnings.

Given:

Pay period earnings = \$1,884.62

Bi-weekly ROE pay period chart captures 27 pay periods

Step 8 - Complete Block 17A

Calculate and enter vacation pay.

Given:

Vacation pay rate = 6%

Vacationable earnings = \$52,050.00

(already includes pay in lieu of notice)

Step 9 - Complete Block 17C

Enter the correct amount in 17C for "Other monies" specified as Pay in lieu of notice.

Given:

Pay in lieu of notice = 8 weeks

Use weekly earnings derived from the bi-weekly pay period earnings.

Step 10 - Complete Block 17C

Enter the correct amount in 17C for "Other monies" specified as Severance.

Given:

Severance = 10 weeks

Use the same weekly earnings used in Step 9.

**Answer:**

Explanation:

See the Below Explanation for complete Solution.

Explanation:

Step 1 - Block 6

Bi-weekly

Step 2 - Block 8

435837159

Step 3 - Block 10

September 19, 2007 # 19092007

Step 4 - Block 11

October 28, 2019 # 28102019

Step 5 - Block 12

October 28, 2019 # 28102019

Step 6 - Block 15A (Total insurable hours)

$80.00 \times 27 = 2160$

Block 15A = 2160

Step 7 - Block 15B (Total insurable earnings)

$\$1,884.62 \times 27 = \$50,884.74$

Block 15B = 50,884.74

Step 8 - Block 17A (Vacation pay)

$\$52,050.00 \times 6\% = \$3,123.00$

Block 17A = 3,123.00

Step 9 - Block 17C (Pay in lieu of notice)

Weekly earnings =  $\$1,884.62 \div 2 = \$942.31$

Pay in lieu =  $\$942.31 \times 8 = \$7,538.48$

Block 17C (Pay in lieu of notice) = 7,538.48

Step 10 - Block 17C (Severance)

Severance =  $\$942.31 \times 10 = \$9,423.10$

Block 17C (Severance) = 9,423.10

**NEW QUESTION # 55**

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