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NEW QUESTION: 1

The Department of Health and Human Services prepares a financial statement displaying costs of each major program as they relate to the department's outcomes and outputs. The title of this financial statement is the

- A. Statement of Net Cost.
- B. Statement of Budgetary Resources.
- C. Statement of Changes in Net Position.
- D. Statement of Custodial Activity.

Answer: A (LEAVE A REPLY)

The Statement of Net Cost is the principal financial statement used by federal agencies to report the total cost of their programs and activities. It aligns the agency's programs, outputs, and strategic objectives with the cost incurred to produce those outputs.

The Department of Health and Human Services, like all federal agencies, uses this statement to display costs by major program or responsibility segment.

Relevant References:

FASAB SFFAS No. 4 - Managerial Cost Accounting Standards

FASAB SFFAS No. 55 - Amending the Statement of Net Cost

OMB Circular A-136 - Section on Federal Financial Statements

A). Statement of Net Cost

NEW QUESTION: 2

Using the cost recovery method of recognizing revenue, premiums are recognized as revenue

- A. once the ultimate premium can be reasonably estimated.
- B. throughout the duration of the policy when claim costs are incurred.

C. when received.

D. when the policy takes effect.

Answer: B (LEAVE A REPLY)

Under the cost recovery method, revenue is recognized only as costs are recovered. In the context of insurance or risk-financing activities (such as self-insurance), GASB and FASAB require that premium revenues be recognized over the term of the policy, in proportion to the recognition of related costs (e.g., claims incurred).

This aligns revenue with expenses and ensures no profit is recognized before related obligations are met.

Relevant References:

FASAB SFFAS No. 7 - Revenue and Other Financing Sources

GASB Statement No. 10 - Accounting for Risk Financing and Related Insurance Issues GFOA Risk Management and Insurance Practices B). throughout the duration of the policy when claim costs are incurred

NEW QUESTION: 3

What role do the U.S. Department of the Treasury, GAO and OMB have in the standard-setting activities of FASAB?

A. They are all non-voting advisory board members of FASAB.

B. They are all members with authority to veto any standard approved by FASAB.

C. They are all members whose agencies may be exempt from FASAB standards.

D. They are all sponsors and voting members of FASAB.

Answer: (SHOW ANSWER)

The Federal Accounting Standards Advisory Board (FASAB) was established in 1990 by the U.S. Department of the Treasury, the Office of Management and Budget (OMB), and the Government Accountability Office (GAO). These three entities are collectively known as the "sponsors" of FASAB. Each has a representative who serves as a voting member of the board.

FASAB is responsible for establishing GAAP for federal entities. The sponsor organizations appoint board members and have authority over standard-setting governance, but do not individually veto standards. Final standards are issued only after due process, including public comment and sponsor approval.

Relevant Standards and References:

FASAB Memorandum of Understanding (MOU) Among Treasury, OMB, and GAO (as amended): "These three agencies are the sponsors of FASAB and each appoints one voting member to the Board." FASAB Governance Manual (2023 Edition), Section 2: Identifies Treasury, OMB, and GAO as sponsors and voting members.

AGA's "CGFM Study Guide 2," Chapter 2: Highlights the role of sponsors in the standard-setting process.

Therefore, Option D is correct.

NEW QUESTION: 4

Information is reported in the notes to the financial statements to support all of the following goals EXCEPT to

- A. provide narrative information.
- B. provide detailed information that is not described in the basic financial statements.
- C. satisfy disclosure requirements.
- D. provide information in a timely and comparable format.

Answer: D (LEAVE A REPLY)

Comprehensive Detailed Explanation:

The notes to the financial statements serve the purpose of:

Providing narrative explanations for items presented in the financial statements
Offering additional disclosures to comply with GASB/GAAP requirements
Presenting detailed information not conveyed in the basic financial statements themselves
While comparability and timeliness are important qualitative characteristics of financial reporting, they are not the direct purpose of note disclosures. That responsibility lies more broadly with the financial reporting system as a whole.

Relevant References:

GASB Concepts Statement No. 1 - Objectives of Financial Reporting

GASB Codification Section 2300 - Notes to the Financial Statements

FASAB Handbook - Disclosure Objectives

D). provide information in a timely and comparable format

NEW QUESTION: 5

Who is responsible for making apportionments and allotments?

- A. apportionments are made by committees, OMB makes allotments
- B. apportionments are made by OMB, agencies make allotments
- C. apportionments are made by agencies, Congress makes allotments
- D. apportionments are made by Congress, OMB makes allotments

Answer: B (LEAVE A REPLY)

In the federal budget execution process:

The Office of Management and Budget (OMB) makes apportionments. These divide appropriated funds into quarterly or program-specific portions to prevent premature spending.

Agencies then make allotments, which further subdivide apportioned funds internally by responsibility centers or programs.

Relevant References:

OMB Circular A-11 - Section 120: Apportionments

Treasury Financial Manual - Fund Control

GAO Red Book - Budget Execution Terminology

B). apportionments are made by OMB, agencies make allotments

NEW QUESTION: 6

A governmental financial reporting entity is comprised of all of the following EXCEPT

- A. the primary government.

- B. any organization for which records are kept by the primary government.
- C. organizations for which the primary government is financially accountable.
- D. other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Answer: (SHOW ANSWER)

A governmental financial reporting entity includes:

The primary government

Legally separate organizations for which the primary government is financially accountable
 Other organizations whose exclusion would render the financial statements misleading or incomplete (per GASB Statement No. 14 and No. 61)
 Merely keeping records for an organization does not make it part of the financial reporting entity unless there is financial accountability or a significant relationship.

Relevant References:

GASB Statement No. 14 - The Financial Reporting Entity

GASB Statement No. 61 - Omnibus Amendments to GASB No. 14

GASB Codification Section 2100 - Reporting Entity

B). any organization for which records are kept by the primary government

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NEW QUESTION: 7

Separate fund financial statements should be presented for

- A. net assets and activities.
- B. governmental and proprietary funds.
- C. long-term debt.
- D. capital assets.

Answer: B (LEAVE A REPLY)

Separate fund financial statements are required for:

Governmental Funds (e.g., general fund, special revenue)

Proprietary Funds (e.g., enterprise, internal service funds)

Fiduciary Funds (reported separately but not combined with government-wide statements)
 Long-term debt and capital assets are components within the financial statements-not fund types.

Relevant References:

GASB Statement No. 34 - Financial Reporting Model

GASB Codification Section 2200 - Financial Reporting

GFOA Fund Reporting Framework

B). governmental and proprietary funds

NEW QUESTION: 8

A state had problems with its cash reconciliation resulting in a difference between the total cash per books versus cash balance with banks. The possible loss could only be estimated within a range of \$100 million to

\$300 million with no amount within the range considered a better estimate than any other. The state should recognize a minimum liability of

- A. \$100 million and disclose in the notes the exposure to an additional \$200 million loss.
- B. \$200 million and disclose in the notes the exposure to an additional \$100 million loss.
- C. \$300 million with no additional disclosure required.
- D. an amount to be determined by external auditors.

Answer: A (LEAVE A REPLY)

GASB Statement No. 62 (based on FASB ASC 450-20) provides guidance on recognizing loss contingencies.

If a loss is probable and the amount can only be estimated as a range, and no single amount within the range is better, the minimum amount in the range should be accrued.

The remainder of the range should be disclosed in the notes to the financial statements.

Thus:

Accrue: \$100 million

Disclose: Additional exposure up to \$200 million

Relevant References:

GASB Statement No. 62 - Paragraph 96

GAAP Implementation Guide - Loss Contingencies

AICPA Audit Guide - Government Auditing Standards

A). \$100 million and disclose in the notes the exposure to an additional \$200 million loss

NEW QUESTION: 9

At the beginning of the fiscal year a school district held the following capital assets:

What is the depreciation expense for the current year?

\$ 150,000 for cafeteria refrigerators	useful life of 20 years
\$ 500,000 for heating system	useful life of 15 years
\$1,000,000 for buses	useful life of 5 years

- A. \$200.000
- B. \$207.500
- C. \$233.333
- D. \$240.833

Answer: B (LEAVE A REPLY)

We calculate straight-line depreciation for each asset using the formula:

Depreciation = Cost ÷ Useful Life

Given:

Refrigerators: $\$150,000 \div 20 = \$7,500$

Heating system: $\$500,000 \div 15 = \$33,333.33$

Buses: $\$1,000,000 \div 5 = \$200,000$

Total Depreciation:

\$7,500 (Refrigerators)

\$33,333.33 (Heating system)

\$200,000 (Buses)

= \$240,833.33

So the correct depreciation expense (rounded to the nearest dollar) is:

D). \$240,833

Note: Option B (\$207,500) is incorrect because it does not reflect total depreciation based on the useful lives provided.

Relevant References:

GASB Statement No. 34 - Capital Asset Reporting

GFOA Best Practices - Capital Assets and Depreciation

FASAB SFFAS No. 6 - Accounting for Property, Plant, and Equipment

D). \$240,833

NEW QUESTION: 10

All the following are required financial statement reporting on governmental funds EXCEPT

- A. the balance sheet.
- B. the operating statement.
- C. expenditures and changes in fund balance.
- D. statement of cash flows.

Answer: D (LEAVE A REPLY)

The governmental funds (e.g., general fund, special revenue fund, capital projects fund) are reported using the modified accrual basis and current financial resources measurement focus.

Required financial statements for governmental funds include:

Balance Sheet

Statement of Revenues, Expenditures, and Changes in Fund Balances

There is no requirement for a statement of cash flows for governmental funds. The statement of cash flows is only required for proprietary funds (e.g., enterprise and internal service funds) and is prepared using the direct method.

Relevant References:

GASB Statement No. 34 - Basic Financial Statements

GASB Codification Section 2200

GFOA Governmental Fund Reporting Guidelines

D). statement of cash flows

NEW QUESTION: 11

Which entity assists the president in overseeing the preparation of the President's Budget?

- A. GAO

- B. Congressional Budget Office
- C. OMB
- D. the U.S. Department of the Treasury

Answer: ([SHOW ANSWER](#))

The OMB assists the President in preparing the President's Budget, which is submitted annually to Congress.

OMB coordinates budget instructions, evaluates agency requests, and ensures alignment with presidential policies.

Other roles:

GAO: Supports Congress and performs audits

CBO: Provides nonpartisan budget analysis to Congress

U.S. Treasury: Manages federal finances but does not oversee budget preparation Relevant

References:

OMB Circular A-11 - Role in Budget Formulation

U.S. Code Title 31 - Role of OMB

GAO Budget Glossary

C). OMB

NEW QUESTION: 12

An agency's Fund Balance with Treasury is increased by which of the following events?

- A. receipt of a Treasury warrant
- B. rescission of an appropriation
- C. a recovery of prior year obligations
- D. collection of custodial revenue

Answer: ([SHOW ANSWER](#))

Fund Balance with Treasury (FBWT) increases when an agency receives a Treasury warrant. A warrant is the official document issued by the U.S. Treasury that provides budgetary authority to the agency and establishes funds available for obligation and disbursement.

Other options:

Rescission of appropriation # decreases FBWT

Recovery of prior-year obligations # may restore budgetary authority, but not necessarily FBWT

Custodial revenue # collected on behalf of others; not retained by the collecting agency Relevant

References:

Treasury Financial Manual (TFM), Volume I, Part 2, Chapter 5100

FASAB SFFAS No. 1 - Fund Balance with Treasury

USSGL Guidance on Fund Balance Transactions

A). receipt of a Treasury warrant

NEW QUESTION: 13

A budget document that lists the budget by social services, affordable housing and supplies includes which of the following significant elements?

- A. function, program, object class
- B. organizational unit, program, category
- C. function, category, object class
- D. program, function, category

Answer: A (LEAVE A REPLY)

A well-structured budget document typically categorizes spending in three key ways:

Function: Broad purpose or mission, such as public safety, social services, or housing.

Program: Specific activities or initiatives under a function (e.g., housing vouchers under affordable housing).

Object Class: The type of goods or services purchased, such as personnel, supplies, or equipment.

When a budget is organized by items like social services (function), affordable housing (program), and supplies (object class), it indicates the budget is categorized by those three significant elements.

Relevant Standards and References:

OMB Circular A-11, Preparation, Submission, and Execution of the Budget GAO Budget Glossary

NEW QUESTION: 14

Government, public, private and not-for-profit entities all share which common goal of financial reporting?

- A. provide users with decision support
- B. provide users with the current status of the entity
- C. inform users about the ability of the entity to generate revenue
- D. demonstrate the nature of cash receipts and disbursements

Answer: A (LEAVE A REPLY)

Despite differences in sector goals, all entities-public, private, nonprofit, or government-use financial reporting to provide information that assists stakeholders in making informed decisions.

While private-sector entities focus on profitability and governmental entities focus on accountability and stewardship, both require decision-useful financial data.

Relevant References:

FASAB SFFAC No. 1 - Objectives of Federal Financial Reporting

GASB Concepts Statement No. 1 - Objectives of Financial Reporting

FASB Statement of Financial Accounting Concepts No. 1

- A). provide users with decision support

NEW QUESTION: 15

A federal agency should recognize an accounts receivable when

- A. claims to cash against other entities are established.
- B. agreements to provide services are received.
- C. taxes are expected to be received at a future date.
- D. orders are accepted for goods that are to be provided.

Answer: A (LEAVE A REPLY)

Comprehensive Detailed Explanation:

According to FASAB Statement of Federal Financial Accounting Standards (SFFAS) No. 1, an accounts receivable should be recognized when a legal claim to cash exists - that is, when the federal agency has provided goods or services or an enforceable claim to payment has arisen. This typically occurs after performance has occurred, not merely when an agreement or order is received.

Relevant References:

FASAB SFFAS No. 1 - Accounting for Selected Assets and Liabilities

Treasury Financial Manual (TFM) - Receivables Accounting

OMB Circular A-136 - Financial Reporting Requirements

A). claims to cash against other entities are established

NEW QUESTION: 16

A county is projecting a \$7 million budget deficit in the upcoming fiscal year, so the county board, who acts as the highest level of authority for the county, sets aside \$7 million in fund balance to close this gap. How should the \$7 million be classified on the financial statement?

A. Restricted Fund Balance

B. Assigned Fund Balance

C. Nonspendable Fund Balance

D. Committed Fund Balance

Answer: D (LEAVE A REPLY)

A committed fund balance is established when the highest level of decision-making authority (e.g., county board or city council) formally sets aside resources for a specific purpose through resolution or ordinance before the end of the fiscal year.

Since the county board - the highest authority - has set aside \$7 million specifically to address a projected budget deficit, the classification should be committed fund balance.

Assigned fund balance (Option B) is typically used when intent is expressed by a lower level of authority (e.

g., finance director).

Relevant References:

GASB Statement No. 54 - Fund Balance Reporting

GASB Codification Section 1800.176 - Fund Balance Classifications

GFOA Guidance on Fund Balance Policies

D). Committed Fund Balance

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NEW QUESTION: 17

Which of the following federal collections are typically accounted for in a deposit fund?

- A. general tax receipts funding government operations overall (e.g., personal income taxes)
- B. taxes dedicated to a specific purpose (e.g., gasoline taxes funding highway projects)
- C. funds held temporarily until ownership is determined (e.g., earnest money paid by bidders)
- D. exchange revenues collected to finance a continuing cycle of business-type operations (e.g., revenue paid to service centers)

Answer: C (LEAVE A REPLY)

Deposit funds are a type of fiduciary fund used by federal agencies to account for monies held temporarily for others and where the government does not have ownership. These funds are not available for general government use and are excluded from budgetary resources.

Examples include:

Unidentified remittances

Bid deposits or earnest money

Collections awaiting resolution of ownership

These do not represent revenue to the federal government and are instead liabilities until disbursed.

Relevant References:

Treasury Financial Manual (TFM), Volume I, Part 2, Chapter 1500 - Deposit Fund Accounts GAO Red Book - Federal Appropriations Law FASAB SFFAS No. 1 - Accounting for Selected Assets and Liabilities C). funds held temporarily until ownership is determined

NEW QUESTION: 18

The measurement focus of the governmental fund level financial statements is

- A. modified accrual basis.
- B. economic resources.
- C. current financial resources.
- D. accrual basis.

Answer: C (LEAVE A REPLY)

Governmental fund financial statements (such as the General Fund, Special Revenue Funds, Capital Projects Funds) use the current financial resources measurement focus and the modified accrual basis of accounting.

This focus reports inflows and outflows of current financial resources and excludes long-term assets and liabilities.

This differs from the government-wide financial statements, which use the economic resources measurement focus and full accrual basis.

Relevant References:

GASB Statement No. 34 - Basic Financial Statements
GASB Codification Section 1600 - Fund Accounting
GFOA Fund Accounting Guidance
C). current financial resources

NEW QUESTION: 19

The Department of the Interior has the following costs associated with the development of a new visitor tracking system.

Research cost determining if system should be internally or externally developed \$100,000
Software configuration and system development \$750,000
Cost of testing the new system for fiscal usage \$225,000
Converting data from old tracking system to new tracking system \$500,000
How much should be capitalized as the cost of the asset?

- A. \$750,000
- B. \$975,000
- C. \$1,475,000
- D. \$1,575,000

Answer: B (LEAVE A REPLY)

FASAB SFFAS No. 10 (Accounting for Internal Use Software) provides guidance for capitalizing software development costs. The following costs are capitalized:

Software configuration and development: \$750,000

Testing for functionality (ready for use): \$225,000

These fall within the "software development stage."

The following are not capitalized:

Research costs (e.g., feasibility studies): \$100,000 # Expense

Data conversion costs: \$500,000 # Expense (unless part of application development, which it's not here)
Capitalized total = \$750,000 + \$225,000 = \$975,000

Relevant References:
FASAB SFFAS No. 10 - Accounting for Internal Use Software

OMB Circular A-136 - Capitalization Guidance

Treasury Financial Manual (TFM) - Capital Assets

B). \$975,000

NEW QUESTION: 20

The unobligated balance of an appropriation is equal to the total unexpended appropriation, less the total amounts

- A. obligated.
- B. allotted.
- C. collected.
- D. apportioned.

Answer: A (LEAVE A REPLY)

The unobligated balance of an appropriation refers to the portion of the total appropriation authority that has not yet been committed (obligated) through contracts, purchase orders, or other legally binding agreements.

Formula:

Unobligated Balance = Total Appropriation - Total Obligations

This is a key control metric in federal and state financial management, used to determine how much funding remains legally available for future obligations.

Relevant Standards and References:

OMB Circular A-11, Section 20.3

GAO Principles of Federal Appropriations Law (Red Book)

FASAB SFFAS No. 7: Reporting on Budgetary Resources

Therefore, Option A is correct.

NEW QUESTION: 21

State Medicaid caseloads have been exceeding projections for the past two months. Review of the data indicates the increase is likely to continue, leading to the need for significant supplemental appropriations before the end of the fiscal year. Based upon this information, what is the first action the state director of Medicaid should take?

- A.** Inform the governor of the situation and options for addressing the shortfall.
- B.** Inform the legislative counsel bureau about the potential over-expenditure.
- C.** Impose a hiring freeze and hold all spending approvals for contracts and purchases on the affected departments.
- D.** Confer with the chairmen or staff directors of the House and Senate appropriations committees concerning the need to call a legislative special session.

Answer: (SHOW ANSWER)

The first and most appropriate action for the state Medicaid director is to inform the governor. This ensures that executive leadership is aware of the fiscal shortfall early and can weigh in on how to proceed. The governor plays a central role in budget planning and proposing supplemental appropriations.

While informing legislators or freezing spending may be necessary later, those steps should occur after executive leadership has been notified and involved in decision-making.

Relevant References:

GFOA Best Practices - Budget Monitoring and Adjustment

State Budget Procedures Manuals (varies by state, but consistent in escalation path) National Association of State Budget Officers (NASBO) Guidance A). Inform the governor of the situation and options for addressing the shortfall

NEW QUESTION: 22

For state and local governments, a fund that is legally restricted to the use of earnings with the principal protected is

- A.** an enterprise fund.

- B. a permanent fund.
- C. an internal service fund.
- D. a general fund.

Answer: B (LEAVE A REPLY)

A permanent fund is a governmental fund used to report resources that are legally restricted so that only earnings (not principal) may be used to support government programs. These are typically endowments where the corpus is preserved in perpetuity.

According to GASB Statement No. 34, permanent funds are classified under governmental funds and must be used to benefit the government or its citizenry.

Relevant Standards and References:

GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments GASB Codification Section 1300, Fund Types GFOA Budgeting & Fund Balance Guidance Therefore, Option B is correct.

NEW QUESTION: 23

The PAR includes all of the following elements EXCEPT the

- A. agency-head message.
- B. financial section.
- C. performance section.
- D. demographic section.

Answer: D (LEAVE A REPLY)

Comprehensive Detailed Explanation:

The Performance and Accountability Report (PAR) is a consolidated report that federal agencies are required to submit. It typically includes:

Agency Head's Message

Performance Section (performance goals/results)

Financial Section (financial statements, audit report, notes)

Other Accompanying Information (e.g., improper payments, internal control reports) There is no "demographic section" required or defined in the structure of a PAR.

Relevant References:

OMB Circular A-136 - Financial Reporting Requirements

GPRA Modernization Act of 2010

CFO Act of 1990

D). demographic section

NEW QUESTION: 24

Congress plans to set up an activity within an agency that would:

- * provide procurement services to other agencies;
- * reimburse fees to the providing agency at a level that would cover the total estimated costs of the services.

The fees would be deposited in the providing agency's accounts and would remain available until expended, to carry out the purposes of the fund. This arrangement describes a

- A. revolving fund.
- B. special fund.
- C. trust fund.
- D. general fund.

Answer: A (LEAVE A REPLY)

A revolving fund is a fund established to finance a continuing cycle of operations where the receipts (e.g., fees or reimbursements) are used to finance future operations. These funds are usually self-sustaining and are designed to recover full costs of providing goods or services. The described situation - an agency providing procurement services to other agencies and using collected fees to continue operations - is a classic example of an intragovernmental revolving fund (also called a working capital fund).

Relevant References:

OMB Circular A-11, Section 20 - Fund Classifications

GAO Glossary of Terms - Revolving Fund

FASAB SFFAS No. 7 - Revenue and Other Financing Sources

A). revolving fund

NEW QUESTION: 25

If an internal service fund needs to develop an hourly billing rate, the calculation should include

- A. all materials consumed during the year.
- B. the acquisition cost of equipment purchased during the year.
- C. the replacement cost of equipment purchased during the year.
- D. all materials purchased during the year, even if the materials were not consumed.

Answer: A (LEAVE A REPLY)

An internal service fund is used to account for goods or services provided by one department or agency to other departments or agencies of the governmental unit, typically on a cost-reimbursement basis.

To establish accurate billing rates (e.g., hourly rates), the fund must use actual costs of providing services.

This includes materials consumed, labor, depreciation, and overhead. Materials purchased but not used should not be included in the rate calculation for the current period.

Relevant Standards and References:

FASAB SFFAS No. 4, Managerial Cost Accounting

GASB Codification Section 1800, Internal Service Funds

GFOA Best Practices - Internal Service Fund Rate Setting

Therefore, Option A is correct.

NEW QUESTION: 26

The purpose for establishing a custodial fund is to

- A. account for assets held in a trustee capacity.
- B. accumulate resources for payment of debt.
- C. track financial resources to be used for acquisition of capital facilities.
- D. provide services to the public on a fee basis.

Answer: A (LEAVE A REPLY)

A custodial fund is a type of fiduciary fund used by state and local governments to report assets held temporarily in a purely custodial capacity—for example, taxes collected by one government on behalf of another. These funds do not involve administrative or financial control over the assets; the government is merely acting as an intermediary.

As per GASB Statement No. 84, custodial funds replace agency funds and are used to report fiduciary activities that are not held in a trust agreement and where the government does not have discretion over how the resources are spent.

Relevant Standards and References:

GASB Statement No. 84, Fiduciary Activities

GASB Codification Section 1300: Fiduciary Funds

GFOA Best Practices - Accounting and Financial Reporting for Fiduciary Activities Therefore, Option A is correct.

NEW QUESTION: 27

The footnotes to audited financial statements disclose

- A. information about the auditor's opinion on the financial statements.
- B. the agency's performance metrics.
- C. a summary of significant accounting policies.
- D. the accounting principles used to prepare the financial statements.

Answer: C (LEAVE A REPLY)

Footnotes (Notes to the Financial Statements) serve to clarify and provide additional detail about the financial statements. Key components include:

Summary of significant accounting policies (e.g., measurement focus, basis of accounting) Details on capital assets, long-term liabilities, commitments, contingencies Pension/OPEB disclosures

Not performance metrics or audit opinions (those are in MD&A and audit reports) Relevant

References:

GASB Codification Section 2300 - Notes to Financial Statements

GFOA Best Practices - Financial Reporting and Disclosure

C). a summary of significant accounting policies.

NEW QUESTION: 28

An agency offers service for a fee; bad debts have historically averaged 5% of each year's fee revenue. During the past fiscal year, \$1.1 million in fee revenue was recorded and \$1 million in fees was collected. What is the bad debt expense recorded for the past fiscal year?

- A. \$ 5.000
- B. \$ 50.000

- C. \$ 55,000
- D. \$100,000

Answer: C (LEAVE A REPLY)

The agency uses accrual accounting, meaning bad debt expense should be recognized based on the revenue earned, not the cash collected. The historical bad debt rate is 5%.

Fee revenue recorded = \$1.1 million

Bad debt expense = 5% × \$1,100,000 = \$55,000

This matches the standard accounting treatment under FASAB SFFAS No. 1, where the expense is estimated and recognized in the same period as the related revenue.

Relevant References:

FASAB SFFAS No. 1 - Accounting for Selected Assets and Liabilities

GAAP treatment for allowance for doubtful accounts

Treasury Financial Manual - Accounts Receivable Accounting

C). \$55,000

NEW QUESTION: 29

Which of the following government-wide financial statements are required for state and local governments?

- A. balance sheet and operating statement
- B. statement of net position and statement of changes in net position
- C. statement of net position and statement of activities
- D. statement of net position, statement of activities, and statement of cash flows

Answer: C (LEAVE A REPLY)

The government-wide financial statements required by GASB Statement No. 34 include:

Statement of Net Position (similar to a balance sheet)

Statement of Activities (similar to an income statement)

These financial statements provide a consolidated view of the government's financial position and activities using the economic resources measurement focus and accrual basis of accounting.

There is no requirement under GASB for a government-wide statement of cash flows.

Relevant Standards and References:

GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments GASB Codification Section 2200: Financial Reporting GFOA Budgeting Best Practices Therefore, Option C is correct.

NEW QUESTION: 30

The Prompt Payment Act requires federal agencies to

- A. pay invoices when received.
- B. take discounts when economically justified.
- C. pay invoices no later than sixty days from receiving the invoice.
- D. pay invoices by the invoice due date.

Answer: D (LEAVE A REPLY)

The Prompt Payment Act (31 U.S.C. Chapter 39) mandates that federal agencies pay vendors on time.

Specifically, if a contract specifies a due date for payment, agencies are required to pay by that date. If no specific due date is mentioned, payment must be made within 30 days after the later of either:

Receipt of a proper invoice, or
Acceptance of goods/services.

If agencies fail to pay by the due date, they must automatically calculate and pay interest penalties to the vendor.

Relevant Standards and References:

31 U.S.C. § 3903 (Prompt Payment Act): "A payment is timely if it is made by the due date prescribed by the contract or within 30 days after receipt of a proper invoice or acceptance of goods or services." OMB Circular A-125, "Prompt Payment," Section 7(a) Treasury Financial Manual (TFM), Volume I, Part 6, Chapter 8040 Therefore, Option D is correct.

NEW QUESTION: 31

When a new combined government replaces the separate governments of a city and a county, this is an example of

- A. a government merger.
- B. a government acquisition.
- C. a transfer of operations.
- D. intergovernmental operations.

Answer: A (LEAVE A REPLY)

A government merger occurs when two or more legally separate governments are combined to form a new government, and the original governments cease to exist. This includes combinations like a city and county merging to form a unified government, with combined assets, liabilities, and operations.

There is no acquiring government - rather, the governments voluntarily combine into a new legal entity.

Relevant References:

GASB Statement No. 69 - Government Combinations and Disposals of Government Operations
GASB Codification Section G60 - Definitions of Mergers vs. Acquisitions GFOA Government Restructuring Guidelines A). a government merger

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NEW QUESTION: 32

An example of a non-exchange revenue is

- A. sales taxes.
- B. bond proceeds.
- C. licensing fees.
- D. investment earnings.

Answer: A (LEAVE A REPLY)

Non-exchange revenues are those in which a government gives or receives value without directly receiving or giving equal value in return. Sales taxes are a classic example of a non-exchange revenue because the payer (consumer) does not receive a direct, measurable benefit from the government in exchange for the tax paid.

Other examples of non-exchange revenues include property taxes, grants, and fines. In contrast, licensing fees and investment earnings are exchange or exchange-like revenues, since they involve a mutual benefit or earnings return.

Relevant Standards and References:

GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions
GASB Codification Section N50 GFOA Revenue Classification Guidelines

NEW QUESTION: 33

What must a federal agency receive from the U.S. Department of the Treasury before it can begin spending an appropriation?

- A. an apportionment
- B. an allotment
- C. a warrant
- D. an encumbrance

Answer: (SHOW ANSWER)

A Treasury warrant is the formal notification from the U.S. Department of the Treasury that funds have been made available to a federal agency. Agencies cannot legally obligate or expend appropriated funds until a warrant has been issued.

Apportionments and allotments come afterward in the budget execution process.

Relevant References:

Treasury Financial Manual (TFM), Volume I, Part 2

OMB Circular A-11 - Budget Execution

GAO Red Book - Appropriations Law

- C). a warrant

NEW QUESTION: 34

Entity receivables are described as amounts that

- A.** the entity anticipates receiving via appropriate warrant from the U.S. Department of the Treasury.
- B.** the entity collects on behalf of the U.S. government or other entities that the entity is not authorized to spend.
- C.** a federal entity claims from other federal or non-federal entities that the federal entity is authorized to spend.
- D.** the entity collects on behalf of other federal entities and deposits directly with the U.S. Department of the Treasury.

Answer: C (LEAVE A REPLY)

Entity receivables refer to amounts due to a federal agency that it has legal claim over and is authorized to spend or retain. These include:

Claims to cash from other agencies or external entities (e.g., reimbursements, fees for services)
 Amounts expected to be collected and available for the agency's own operations This contrasts with non-entity receivables, which are collected on behalf of other federal agencies or the general fund and are not available for the collecting agency's use.

Relevant References:

FASAB SFFAS No. 1 - Accounting for Selected Assets and Liabilities

Treasury Financial Manual (TFM), Vol. I, Part 2 - Definitions of Entity vs. Non-Entity Assets OMB Circular A-136 - Reporting of Receivables C). a federal entity claims from other federal or non-federal entities that the federal entity is authorized to spend

NEW QUESTION: 35

State and local budgets serve all of the following purposes EXCEPT to

- A.** set public policy.
- B.** act as legislative control on taxing and spending.
- C.** determine debt policy.
- D.** serve as a financial planning tool.

Answer: (SHOW ANSWER)

State and local government budgets primarily serve to:

Set public policy priorities

Provide legislative control over taxing and spending

Serve as a financial planning tool

Debt policy is typically established outside the annual budget process and guided by a separate debt management policy that sets borrowing limits, credit rating objectives, and debt service goals.

Relevant References:

GFOA Best Practices - Role of the Budget

NASBO Budgeting Handbook

GASB Concept Statements - Financial Reporting Objectives

C). determine debt policy

NEW QUESTION: 36

A government issues general obligation bonds at a premium. The associated amortization would be reported on the

- A. Statement of Activities as a component of depreciation expense.
- B. Statement of Activities as a component of interest expense.
- C. Statement of Revenues, Expenditures, and Changes in Fund Balance as a component of interest expenditures.
- D. Statement of Revenues, Expenditures, and Changes in Fund Balance as a component of depreciation expenditures.

Answer: B (LEAVE A REPLY)

When a government issues general obligation bonds at a premium, the premium is amortized over the life of the bond. Under the full accrual basis used in the government-wide financial statements (e.g., Statement of Activities), this amortization reduces the reported interest expense over time.

The fund financial statements (e.g., Statement of Revenues, Expenditures, and Changes in Fund Balance) follow the modified accrual basis and generally do not account for amortization of bond premiums.

Relevant References:

GASB Statement No. 34 - Government-Wide Financial Reporting

GASB Statement No. 65 - Items Previously Reported as Assets and Liabilities GFOA - Debt Reporting Best Practices B). Statement of Activities as a component of interest expense

NEW QUESTION: 37

Which of the following events is an example of an expenditure but not an expense?

- A. At the end of the fiscal year, the government signs a contract to buy office furniture.
- B. At the end of the fiscal year, the government pays its employees for work performed.
- C. At the end of the fiscal year, the government pays for ten vehicles which will be depreciated over five years.
- D. At the end of the fiscal year, the government receives and pays its electric bill for the previous month.

Answer: C (LEAVE A REPLY)

Comprehensive Detailed Explanation:

In governmental funds (using the modified accrual basis), expenditures are recorded when financial resources are used - typically when cash is disbursed. However, in government-wide statements (accrual basis), only the portion of the asset's cost consumed in the period is recorded as an expense (i.e., depreciation).

Paying for capital assets such as vehicles is an expenditure in the governmental funds, but not an expense in the accrual-based government-wide financials. Instead, the cost is capitalized and depreciated over time.

Relevant References:

GASB Statement No. 34 - Government-wide vs. Fund Financial Reporting

GASB Codification Section 1300 - Modified Accrual Accounting

GFOA Best Practices - Capital Asset Reporting

C). At the end of the fiscal year, the government pays for ten vehicles which will be depreciated over five years.

NEW QUESTION: 38

Federal agencies accumulate and report costs in order to perform all of the following EXCEPT to

- A. comply with the GPRA.
- B. comply with the CFO Act.
- C. achieve an unmodified audit opinion.
- D. comply with SFFAS #4.

Answer: (SHOW ANSWER)

Federal agencies accumulate and report costs for a number of reasons, including:

Compliance with GPRA (Government Performance and Results Act), which links budgeting to performance
Compliance with the CFO Act, which mandates preparation of auditable financial statements
Compliance with SFFAS No. 4 - Managerial Cost Accounting, which requires cost accumulation for decision- making and performance evaluation
While accurate cost reporting supports audit quality, achieving an unmodified audit opinion is not the primary reason for accumulating costs - it is an outcome, not a purpose.

Relevant References:

FASAB SFFAS No. 4 - Managerial Cost Accounting

CFO Act of 1990

GPRA Modernization Act of 2010

C). achieve an unmodified audit opinion

NEW QUESTION: 39

A city pays a bond payable as well as interest. The journal entry to record this in the debt service fund would be to credit cash and debit

- A. expenditures - principal and expenditures - interest.
- B. bonds payable and interest expense.
- C. bonds payable and expenditures - interest.
- D. principal expense and interest expense.

Answer: (SHOW ANSWER)

In the governmental fund (such as the debt service fund), modified accrual accounting is used.

Under this basis:

Payment of principal and interest is recorded as expenditures, not reductions of liabilities or interest expense.

No long-term liabilities (e.g., bonds payable) are recorded in governmental funds.

So, the correct journal entry is:

Debit: Expenditures - Principal

Debit: Expenditures - Interest

Credit: Cash

Relevant References:

GASB Codification Section 1300 - Fund Accounting and Modified Accrual Basis GASB Statement No. 34 - Fund-Level Reporting GFOA Accounting and Reporting for Debt Service Funds A). expenditures - principal and expenditures - interest

NEW QUESTION: 40

According to GASB, the costs of which of the following activities associated with internally generated computer software should be capitalized?

- A. selecting between alternatives for the software project
- B. converting extra data not needed to make the software work
- C. testing the software for functionality and ease of use
- D. training employees to use the software

Answer: (SHOW ANSWER)

According to GASB Statement No. 51 - Accounting and Financial Reporting for Intangible Assets, costs associated with internally generated computer software can be capitalized only during the "application development stage." Activities in this stage that are capitalizable include:

Coding

Software configuration

Testing (for functionality)

Non-capitalizable activities include:

Preliminary project planning (e.g., selecting between alternatives)

Data conversion not necessary for the software to operate

Training employees

Therefore, testing the software for functionality is an activity that should be capitalized.

Relevant References:

GASB Statement No. 51

GFOA Best Practices - Capitalization of Intangible Assets

C). testing the software for functionality and ease of use

NEW QUESTION: 41

A budget document that lists the budget by social services, affordable housing and supplies includes which of the following significant elements?

- A. function, category, object class
- B. function, program, object class
- C. program, function, category
- D. organizational unit, program, category

Answer: (SHOW ANSWER)

A well-structured budget document typically categorizes spending in three key ways:

Function: Broad purpose or mission, such as public safety, social services, or housing.

Program: Specific activities or initiatives under a function (e.g., housing vouchers under affordable housing).

Object Class: The type of goods or services purchased, such as personnel, supplies, or equipment.

When a budget is organized by items like social services (function), affordable housing (program), and supplies (object class), it indicates the budget is categorized by those three significant elements.

Relevant Standards and References:

OMB Circular A-11, Preparation, Submission, and Execution of the Budget GAO Budget Glossary

NEW QUESTION: 42

A specific operation of the government is funded by 60% from the general fund, 40% from specific revenues.

This should be reported in which fund?

- A. general fund
- B. special revenue fund
- C. capital projects fund
- D. internal service fund

Answer: B (LEAVE A REPLY)

A special revenue fund is used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes (other than debt service or capital projects). In this case, 40% of the operation is funded by specific revenues, which triggers the use of a special revenue fund, provided those revenues are legally restricted or committed to the operation.

Even though 60% of the funding comes from the general fund, the existence of a dedicated revenue stream (40%) for a specific purpose qualifies it for reporting in a special revenue fund.

Relevant References:

GASB Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions

GASB Codification Section 1300 - Fund Types GFOA - Fund Structure Guidance B). special

revenue fund

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NEW QUESTION: 43

An agency operates out of a building that is on the Register of Historic Places; the building is classified as a multi-use federal asset. If the agency recently paid to renovate the office space in the building, the cost for the renovation should be treated as a

- A. heritage asset.
- B. mission property.
- C. stewardship investment.
- D. general property, plant and equipment expense.

Answer: D (LEAVE A REPLY)

Although the building is listed on the National Register of Historic Places (a heritage asset), renovations that support current operations and serve general purposes (e.g., office upgrades) are considered capitalizable or expensed under general property, plant, and equipment (G-PP&E), not stewardship or heritage classifications.

Stewardship or heritage classifications apply to assets whose primary purpose is historical preservation, not ongoing operations.

Relevant References:

FASAB SFFAS No. 29 - Heritage Assets and Stewardship Land

FASAB SFFAS No. 6 - General PP&E Accounting

OMB Circular A-136 - Capital Asset Guidance

D). general property, plant and equipment expense

NEW QUESTION: 44

OMB Circular A-136 requires that all of the following be included in an AFR EXCEPT

- A. a message from the head of the agency.
- B. the MD&A.
- C. the financial section.
- D. the performance section.

Answer: D (LEAVE A REPLY)

OMB Circular A-136 specifies the required components of the Agency Financial Report (AFR), which include:

A Message from the Head of the Agency

Management's Discussion and Analysis (MD&A)

Financial Section (including statements and notes)

Other Information (e.g., improper payments, internal controls)

The Performance Section is not included in the AFR but is instead part of the alternative Performance and Accountability Report (PAR) or included separately in an Annual Performance Report (APR).

Relevant References:

OMB Circular A-136 - Financial Reporting Requirements (Section II)

GPRA Modernization Act of 2010

CFO Act of 1990

D). the performance section

NEW QUESTION: 45

The four general government auditing standards are

- A. compliance, timeliness, qualifications and due professional care.
- B. supervision, planning, management controls and evidence.
- C. planning, internal controls, independence and irregularities.
- D. qualifications, independence, due professional care and quality control.

Answer: D (LEAVE A REPLY)

What Are the Four General Government Auditing Standards?

- * These standards, as defined in the GAO Yellow Book (Government Auditing Standards):
- * Qualifications: Auditors must have the necessary professional skills and competence to perform their work.
- * Independence: Auditors must remain free from personal, external, and organizational impairments to maintain objectivity.
- * Due Professional Care: Auditors must exercise care and diligence, adhering to professional standards and ethical requirements.
- * Quality Control: Auditors must establish and maintain a system of quality control to ensure audit work meets professional standards.

Why Is Option D Correct?

- * These four elements are explicitly outlined in the GAO Yellow Book as the core principles of government auditing standards.

Why Other Options Are Incorrect:

- * A. Compliance, timeliness, qualifications, and due professional care: Timeliness and compliance are not part of the four general standards; they are components of audit objectives.
- * B. Supervision, planning, management controls, and evidence: These are aspects of audit performance, not general standards.
- * C. Planning, internal controls, independence, and irregularities: Planning and internal controls are part of the audit process, not general standards.

References and Documents:

- * GAO Yellow Book (Generally Accepted Government Auditing Standards - GAGAS): Lists qualifications, independence, due professional care, and quality control as the four general standards.
- * AICPA Audit Standards: Aligns with GAGAS in emphasizing these four principles.

NEW QUESTION: 46

A state grant will reimburse a city for 40% of the architectural, construction and project management costs to build an annex to a city building. A city employee, who is paid salary and benefits of 510,000 a month, works half-time on the project for six months.

The city reports the following project budgeted and actual costs:

Purpose Budget Actual

Architectural fees \$ 100,000 \$ 90,000

Construction costs \$10,500,000 \$10,000,000

Based upon the above information, what is the amount of allowable costs that the state will reimburse the city on the grant?

- A. \$4,048,000
- B. \$4,060,000
- C. \$4,252,000
- D. \$4,264,000

Answer: A (LEAVE A REPLY)

First, we calculate total eligible project costs:

Eligible categories (architectural, construction, project management):

Architectural (actual): \$90,000

Construction (actual): \$10,000,000

Project management (city employee at 50% time for 6 months):

$\$10,000/\text{month} \times 6 \text{ months} \times 50\% = \$30,000$

Total eligible cost = $\$90,000 + \$10,000,000 + \$30,000 = \$10,120,000$

State reimburses 40% of eligible cost:

$0.40 \times \$10,120,000 = \$4,048,000$

Relevant References:

OMB Uniform Guidance (2 CFR § 200) - Cost Principles

GFOA Best Practices - Grant Compliance

State grant agreements outlining cost-sharing requirements

A). \$4,048,000

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NEW QUESTION: 47

Which type of cost is generally allowed for a grant under the OMB Uniform Guidance?

- A. interest payments
- B. general government expenses
- C. materials and supplies
- D. lobbying expenses

Answer: C (LEAVE A REPLY)

Under OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), allowable costs under federal grants must be:

Necessary and reasonable for program performance

Allocable to the grant

In accordance with generally accepted accounting principles

Not otherwise unallowable

Materials and supplies directly benefiting the grant are generally allowable. In contrast, lobbying, interest payments, and general governmental costs not tied to the grant are explicitly unallowable.

Relevant References:

2 CFR Part 200 - Uniform Guidance (Subpart E - Cost Principles)

2 CFR §200.403 - Factors affecting allowability of costs

2 CFR §200.422 - Lobbying

2 CFR §200.449 - Interest

C). materials and supplies

NEW QUESTION: 48

In state and local financial audits, material weaknesses must be reported to the

A. legislature.

B. governing body.

C. taxpayers.

D. local media.

Answer: B (LEAVE A REPLY)

What Are Material Weaknesses?

* A material weakness in internal control is a deficiency or combination of deficiencies that creates a reasonable possibility of a material misstatement in the financial statements that would not be prevented or detected in a timely manner.

* In the context of state and local financial audits, material weaknesses must be reported to those charged with governance, as they are responsible for oversight and corrective actions.

Why Is the Governing Body the Correct Answer?

* The governing body (e.g., city council, county board, or state commission) is directly responsible for overseeing the entity's financial operations and ensuring accountability. Reporting material weaknesses to them ensures that corrective actions can be implemented to strengthen internal controls.

* Auditors communicate such findings through an audit report or a management letter addressed to the governing body.

Why Other Options Are Incorrect:

* **A. Legislature:** The legislature may have oversight of state budgets and appropriations but is not the direct governing body for financial audits.

* **C. Taxpayers:** While transparency is important, material weaknesses are not directly reported to taxpayers. They may be disclosed in public audit reports, but taxpayers are not the primary audience.

* **D. Local media:** Material weaknesses are not formally reported to the media; their disclosure depends on the entity's public reporting processes.

References and Documents:

* **GAO Yellow Book (GAGAS):** Requires auditors to report material weaknesses to those charged with governance.

* **GASB (Governmental Accounting Standards Board):** Emphasizes the importance of communicating significant audit findings to governing bodies.

* **AICPA Audit Standards (AU-C 265):** Requires auditors to communicate material weaknesses to management and those charged with governance.

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