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AGA GAFRB Exam Syllabus Topics:

| Topic | Details |
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| Topic 1 | <ul style="list-style-type: none">• State and Local Financial Accounting and Reporting: This section of the exam measures skills of public sector accountants and focuses on applying GASB standards to define reporting entities and component units. It explores the structure and purpose of various fund types and the basis of accounting for each. Candidates must understand the format and content of the Annual Comprehensive Financial Report and the purpose of popular reports for public transparency. |
| Topic 2 | <ul style="list-style-type: none">• Federal Financial Accounting and Reporting: This section of the exam measures skills of government financial analysts and covers the roles of FASAB, OMB, Treasury, and GAO in federal accounting. It includes an understanding of federal budgetary terminology and the federal budgetary equation. The section differentiates between budgetary and proprietary accounting and outlines the structure and use of various federal fund types. It explains how to record key budgetary transactions like appropriations and obligations and proprietary transactions such as payroll and depreciation. |

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| Topic 3 | <ul style="list-style-type: none"> • Governmental Financial Accounting, Reporting and Budgeting: General Knowledge: This section of the exam measures skills of government financial analysts and covers the unique aspects of governmental accounting that distinguish it from private sector practices, such as service over profit and the critical role of the budget. It emphasizes the objectives of financial reporting in the public sector, the role of standard-setting bodies like GASB, FASB, FASAB, and IPSASB, and the due process for setting accounting standards. It also includes knowledge of interperiod equity, budgetary compliance, sustainability, and the characteristics of quality financial information. |
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AGA Examination 2: Governmental Accounting, Financial Reporting and Budgeting (GAFRB) Sample Questions (Q40-Q45):

NEW QUESTION # 40

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

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

Answer: A

Explanation:

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 # 41

A municipality would establish an internal service fund to capture the activities of a data processing center, in order to account for

- **A. financing of services provided to other governmental units on a cost reimbursement basis.**
- B. financial resources to be used for acquisition of facilities.
- C. proceeds of revenue sources restricted to expenditure for specified purposes.
- D. services rendered to the general public on a fee basis.

Answer: A

Explanation:

Comprehensive Detailed Explanation:

Internal service funds are proprietary funds used to account for the operations of departments or functions that provide goods or services to other departments within the same government on a cost-reimbursement basis.

Examples include:

Centralized IT/data processing

Fleet management

Print shops or mail centers

These are not used for general public services, capital acquisitions, or restricted revenues (which belong in special revenue or capital projects funds).

Relevant References:

GASB Statement No. 34 - Fund Types

GASB Codification Section 1300 - Internal Service Funds

GFOA Fund Accounting Best Practices

D). financing of services provided to other governmental units on a cost reimbursement basis.

NEW QUESTION # 42

Which account is used to temporarily hold general, special or trust fund federal government collections or disbursements pending clearance to the applicable receipt or expenditure accounts?

- A. Clearing Account
- B. Deposit Fund Account
- C. Transfer Allocation Account
- D. Suspense Account

Answer: A

Explanation:

Clearing accounts are used to temporarily record collections or disbursements of the federal government until they can be correctly classified into the appropriate account (e.g., receipt or expenditure accounts).

Suspense accounts are similar but typically used when the agency cannot immediately identify the appropriate account for a transaction. Clearing accounts have known destinations, but require short-term holding for classification purposes.

Relevant References:

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

USSGL (U.S. Standard General Ledger) - Account Definitions

GAO Red Book - Federal Appropriation Terms

D). Clearing Account

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NEW QUESTION # 43

The major difference in applying the accrual concept in governmental fund accounting, as opposed to private- sector accounting, is that revenues are

- A. recognized in the accounting period in which they are received.
- B. recognized when they become measurable and available.
- C. recognized when an encumbrance order is prepared.
- D. recorded when collectability occurs or can be reasonably estimated.

Answer: B

Explanation:

Governmental fund accounting uses the modified accrual basis of accounting. Under this basis, revenues are recognized when: They are measurable (amount can be reasonably determined)

They are available (collectible within the current period or soon enough thereafter to pay current liabilities - typically within 60 days)

This is the key difference from full accrual accounting, which recognizes revenue when it is earned, regardless of when received.

Relevant References:

GASB Statement No. 33 - Accounting and Financial Reporting for Nonexchange Transactions GASB Statement No. 34 - Fund

Accounting and Modified Accrual Basis GASB Codification Section 1600 - Fund Financial Reporting C). recognized when they become measurable and available

NEW QUESTION # 44

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

- A. legislature.
- B. local media.
- C. governing body.
- D. taxpayers.

Answer: C

Explanation:

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.

NEW QUESTION # 45

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