

# Authentic AGA GFMC Exam Questions & Answers

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## CGFM Exam - AGA Code of Ethics Questions and Answers 100% Correct | Updated 2024

How many principles does the AGA/CGFM Code of Ethics consist of? -  Four Principles with underlying rules that support each Principle.

What is Principle #1? -  AGA Members and CGFMs Shall Serve and Support the Public Interest.

What is Principle #2? -  AGA Members and CGFMs Shall Maintain the Highest Standards of Professionalism and Integrity.

What is Principle #3? -  AGA Members and CGFMs Shall Remain Objective in Carrying Out their Duties and Responsibilities.

What is Principle #4? -  AGA Members and CGFMs Shall Carefully Maintain and Protect Confidential Information.

Which Principle is the following rule associated with:

Abide by the expectations, standards and rules of the position they hold; and seek necessary information to interpret and apply them. -  Principle #1

Which Principle is the following rule associated with:

Demonstrate integrity and credibility by being believable, trustworthy, straightforward and honest in performing professional services. -  Principle #2

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Each format has a pool of Examination 3: Governmental Financial Management and Control (GFMC) (GFMC) actual questions which have been compiled under the guidance of thousands of professionals worldwide. Questions in this product will appear in the AGA GFMC final test. Hence, memorizing them will help you get prepared for the GFMC examination in a short time. The product of Actual4Cert comes in PDF, desktop practice exam software, and GFMC web-based practice test. To give you a complete understanding of these formats, we have discussed their features below.

## AGA GFMC Exam Syllabus Topics:

Topic	Details
Topic 1	<ul style="list-style-type: none"><li>Financial Management Functions: This section of the exam measures the competencies of public sector finance officers and treasury analysts in managing financial operations in government environments. It covers essential areas such as cash flow practices, investment strategy, debt recovery, and procurement processes. Candidates are expected to understand property and inventory systems, evaluate IT-based financial systems, and apply emerging technologies. Shared services and project management principles are also included as foundational knowledge areas.</li></ul>

Topic 2	<ul style="list-style-type: none"> <li>Internal Control: This section of the exam measures the capabilities of compliance officers and internal auditors in implementing and evaluating internal control systems. It includes knowledge of COSO frameworks, OMB standards, and audit procedures aimed at fraud prevention and legal compliance. Candidates must understand roles and responsibilities related to internal control, risk assessment, reporting mechanisms, and enterprise risk management frameworks.</li> </ul>
Topic 3	<ul style="list-style-type: none"> <li>Performance Measurement</li> <li>Metrics</li> <li>Service Efforts and Accomplishments: This section of the exam measures the ability of program managers and strategic planners to align performance indicators with organizational outcomes. It covers the integration of financial and non-financial metrics with strategic goals, the importance of transparency and accountability, and how performance data informs budgetary decisions. Candidates must understand stakeholder engagement, baseline setting, legal compliance, and benchmark creation.</li> </ul>
Topic 4	<ul style="list-style-type: none"> <li>Auditing: This section of the exam measures the auditing knowledge of financial controllers and government auditors. It focuses on audit standards, types of audits, the audit process, and the responsibilities of both auditors and auditees. Key topics include audit preparation, follow-up, independence, materiality, and the scope of the Single Audit Act. Candidates are also expected to be familiar with fieldwork, reporting, and confidentiality concerns relevant to public sector audits.</li> </ul>
Topic 5	<ul style="list-style-type: none"> <li>Financial and Managerial Analysis Techniques: This section of the exam measures the skills of budget analysts and financial managers in using quantitative tools and data to assess financial decisions. It includes techniques like trend and ratio analysis, forecasting, regression, and data analytics. It also tests understanding of data sources, reliability, and how forensic auditing can be used for deeper insight into financial activities.</li> </ul>

>> GFMC Standard Answers <<

## GFMC Test Review & GFMC Certification Practice

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### AGA Examination 3: Governmental Financial Management and Control (GFMC) Sample Questions (Q65-Q70):

#### NEW QUESTION # 65

If a CGFM wants to utilize data on population growth, housing and employment to estimate sales tax revenue, the CGFM should use

- A. a cash flow analysis.
- B. a payback analysis.
- C. flow charting.
- D. a regression analysis.**

#### Answer: D

Explanation:

\* Regression Analysis:

\* Regression analysis is a statistical method used to examine relationships between variables and make predictions.

\* To estimate sales tax revenue, a CGFM can use regression to analyze how population growth, housing, and employment trends correlate with tax revenue over time.

\* Explanation of Answer Choices:

\* A. Regression analysis: Correct. This method uses historical and predictive data to model the relationship between variables (e.g., population growth and sales tax revenue).

- \* B. Cash flow analysis: Focuses on analyzing cash inflows and outflows, not predicting revenue based on external factors.
- \* C. Payback analysis: Used to calculate the time needed to recover an investment, unrelated to tax revenue estimation.
- \* D. Flow charting: Used to visualize processes, not for predictive analytics.

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Association of Government Accountants (AGA), Predictive Analytics in Public Sector Finance.  
U.S. Census Bureau, Data Analytics for Revenue Forecasting.

#### NEW QUESTION # 66

In relation to financial reporting, who evaluates internal controls to support an opinion on a fair presentation of the financial statements?

- A. the program office
- B. management
- **C. the independent auditor**
- D. the audit committee

#### Answer: C

Explanation:

Role of the Independent Auditor in Financial Reporting:

\* Independent auditors evaluate internal controls as part of their audit procedures to support an opinion on the fair presentation of the financial statements. This includes assessing whether internal controls over financial reporting are designed and operating effectively.

\* This evaluation helps ensure that financial statements are free of material misstatements, whether due to error or fraud.

Why Management Does Not Do This:

\* Management designs and implements internal controls but does not evaluate them to support the auditor's opinion. Management's responsibility is to certify the accuracy of the financial statements, while the auditor provides an independent opinion.

Why Other Options Are Incorrect:

\* C. The program office: This entity oversees operations but does not perform evaluations to support an audit opinion.

\* D. The audit committee: The committee provides oversight of the audit process but does not perform the evaluation itself.

References and Documents:

\* GAAS (Generally Accepted Auditing Standards): Outlines the responsibilities of independent auditors regarding internal control evaluation.

\* GAO Yellow Book: Specifies the role of external auditors in evaluating internal controls during financial audits.

#### NEW QUESTION # 67

According to the GAO, internal control is a process used by management to

- A. set the tone at the top.
- B. develop a strategic plan.
- **C. help an entity achieve its objectives.**
- D. design an ERM system.

#### Answer: C

Explanation:

\* Definition of Internal Control (According to GAO):

\* Internal control is a process implemented by management to provide reasonable assurance that the organization will achieve its objectives in:

\* Operations (effectiveness and efficiency).

\* Reporting (reliable and accurate financial and non-financial reporting).

\* Compliance (adherence to laws and regulations).

\* Explanation of Answer Choices:

\* A. Help an entity achieve its objectives: Correct. This is the primary purpose of internal controls.

\* B. Design an ERM system: Incorrect. Enterprise Risk Management (ERM) is broader than internal control and includes risk strategy and appetite.

\* C. Set the tone at the top: Incorrect. While the tone at the top is part of the control environment, it is not the full scope of internal control.

\* D. Develop a strategic plan: Incorrect. Internal control supports strategic plans but is not directly involved in developing them.

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GAO, Standards for Internal Control in the Federal Government (Green Book).  
COSO, Internal Control - Integrated Framework.

### NEW QUESTION # 68

Given the information below, which control would be the lowest priority?

Asset \$Amount at Risk Cost of Control

- A. Asset A \$ 150,000 \$15,000
- B. Asset C \$2,000,000 \$50,000
- C. Asset D \$500,000 \$20,000
- D. Asset B \$6,000 \$ 2,500

**Answer: D**

Explanation:

How to Prioritize Controls Based on Cost and Risk:

\* The priority of a control is based on its cost-effectiveness. Controls that protect assets with higher risk exposure relative to the cost of the control should be prioritized. The formula to calculate cost-effectiveness is: Cost-Effectiveness=Cost of Control/Asset Amount at Risk

$\frac{\text{Cost of Control}}{\text{Asset Amount at Risk}} = \text{Cost-Effectiveness}$

Effectiveness=Asset Amount at Risk/Cost of Control

\* Lower ratios indicate more cost-effective controls.

Calculations:

\* Asset A:\$15,000 / \$150,000 = 0.10 (10%)

\* Asset B:\$2,500 / \$6,000 = 0.42 (42%)

\* Asset C:\$50,000 / \$2,000,000 = 0.025 (2.5%)

\* Asset D:\$20,000 / \$500,000 = 0.04 (4%)

Lowest Priority:

\* Asset B has the highest ratio (42%), meaning it is the least cost-effective and should be the lowest priority for controls.

References and Documents:

\* COSO Internal Control Framework: Discusses cost-benefit analysis for prioritizing controls.

\* GAO Risk Management Guide: Emphasizes evaluating control cost-effectiveness relative to asset risk.

### NEW QUESTION # 69

The Federal Credit Reform Act requires complex calculations, which are likely to include errors. This is an example of

- A. control risk.
- B. inherent risk.
- C. detection risk.
- D. audit risk.

**Answer: B**

Explanation:

Definition of Inherent Risk:

Inherent risk refers to the risk of material misstatement in financial statements or other reports due to the nature of the subject matter, without considering any controls in place. It arises from the complexity, judgment, or uncertainty involved in the underlying transactions or calculations.

Why This Is Inherent Risk:

\* The Federal Credit Reform Act requires complex calculations to estimate loan subsidies, interest rates, and cash flows. These calculations inherently involve significant judgment and estimation, making them prone to errors. This is a classic example of inherent risk because the complexity exists regardless of controls.

Why Other Options Are Incorrect:

\* A. Audit Risk: This refers to the overall risk that the auditor may issue an incorrect opinion. In this case, the issue is about the inherent complexity of the calculations, not the auditor's procedures.

\* B. Control Risk: This is the risk that errors will not be prevented or detected due to weak internal controls. While control risk could contribute to misstatements, it is not the primary issue in this example.

\* C. Detection Risk: This is the risk that auditors will not detect a misstatement. This risk relates to audit procedures, not the inherent

complexity of the calculations.

## References and Documents:

\* GAO Yellow Book on Risk Assessment:Explains inherent risk in the context of government financial reporting

\* AICPA Standards on Audit Risk (AU-C 315):Highlights inherent risk as arising from the nature of transactions or subject matter.

## NEW QUESTION # 70

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