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AGA GFMC Exam Syllabus Topics:

Topic	Details
Topic 1	<ul style="list-style-type: none"> Performance Measurement Metrics 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.
Topic 2	<ul style="list-style-type: none"> 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.
Topic 3	<ul style="list-style-type: none"> 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.
Topic 4	<ul style="list-style-type: none"> 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.
Topic 5	<ul style="list-style-type: none"> 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.

AGA Examination 3: Governmental Financial Management and Control (GFMC) Sample Questions (Q29-Q34):

NEW QUESTION # 29

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

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

* 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 # 30

Which of the following is an example of an outcome measure?

- A. percentage of disaster claims paid on time
- B. amount of disability inquiries received during a pandemic
- C. number of federal capital territory students that graduated
- D. total environmental impact statements reviewed

Answer: A

Explanation:

What Is an Outcome Measure?

- * An outcome measure evaluates the results or impacts of a program or service, focusing on whether objectives were achieved (e.g., efficiency, effectiveness, or quality).
- * Percentage of disaster claims paid on time directly reflects the program's ability to meet its goal of providing timely financial assistance to disaster victims, making it an outcome measure.

Why Other Options Are Incorrect:

- * A. Amount of disability inquiries received during a pandemic: This is an input measure, as it reflects the demand or workload, not the results.
- * B. Total environmental impact statements reviewed: This is an output measure, showing the quantity of work done, not the effectiveness or result.
- * C. Number of federal capital territory students that graduated: While this measures results, it reflects an output rather than an outcome (it doesn't assess the quality or long-term impact of education).

References and Documents:

- * Government Performance and Results Act (GPRA): Emphasizes the use of outcome measures to evaluate program performance.
- * GAO Performance Measurement Guide: Defines and provides examples of outcome, output, and input measures.

NEW QUESTION # 31

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

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

Answer: D

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 # 32

To support optimal cash management vendor payment procedures, invoices with discount terms should be paid

- A. prior to the due date to improve credit rating.
- **B. on the discount date.**
- C. on the due date, unless a charge is assessed for late payment.
- D. after the due date to increase cash flow.

Answer: B

Explanation:

Why Pay on the Discount Date?

* Discount terms are offered by vendors to encourage early payment, such as "2/10, net 30" (2% discount if paid within 10 days).

Paying on the discount date ensures the organization takes advantage of cost savings while still making timely payments.

* This approach optimizes cash management by reducing payment obligations while maintaining good vendor relationships.

Why Other Options Are Incorrect:

* A. After the due date: Late payments can damage vendor relationships and incur penalties.

* B. Prior to the due date: Paying too early does not provide additional benefits and can unnecessarily deplete cash reserves.

* C. On the due date: If a discount is offered, waiting until the due date means missing the opportunity to save money.

References and Documents:

* GAO Financial Management Guide: Recommends paying invoices with discounts on the discount date to maximize cost savings.

* Best Practices in Governmental Cash Management (AGA): Highlights the importance of managing vendor payments to take advantage of discounts.

NEW QUESTION # 33

A purchasing officer is asked to select a vendor to provide office supplies. Which of the following vendors should be selected?

- A. the highest priced qualified bidder with the highest quality products
- B. the second lowest priced qualified bidder
- **C. the mayor's high school classmate's company with the lowest qualified bid**
- D. the third lowest priced qualified bidder who is pending state disbarment

Answer: C

Explanation:

Why Select the Lowest Qualified Bidder?

* Procurement rules in government require selecting the lowest qualified bidder to ensure fairness, cost-efficiency, and compliance with procurement regulations.

* If the mayor's high school classmate's company meets the qualification criteria and provides the lowest bid, there is no conflict of interest unless favoritism or improper influence is proven.

Why Other Options Are Incorrect:

* B. Second lowest priced qualified bidder: Selecting the second lowest bidder without justification violates the principle of fairness and cost-efficiency.

* C. Third lowest bidder pending state disbarment: This vendor is not a qualified bidder due to pending disbarment.

* D. Highest priced qualified bidder with the highest quality products: If quality specifications are already met by lower bidders, selecting the highest-priced bidder is unjustifiable.

References and Documents:

* Federal Acquisition Regulation (FAR): Requires selecting the lowest qualified bidder.

* GAO Guide on Procurement Standards: Emphasizes fairness and cost-effectiveness in vendor selection.

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