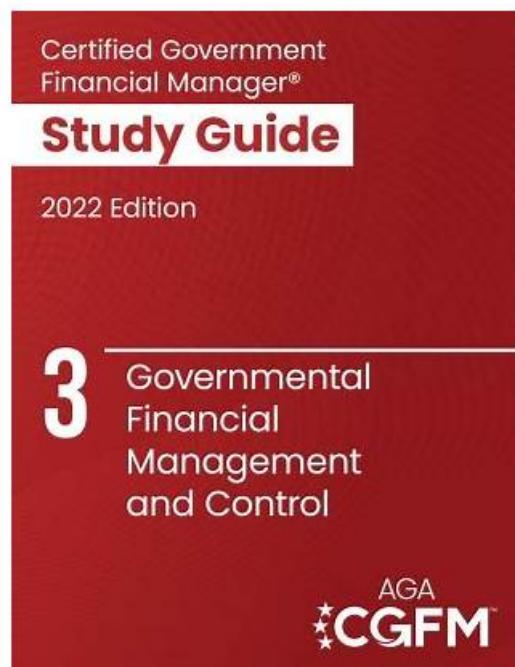


GFMC Pass Test Guide - Latest AGA GFMC Reliable Dump: Examination 3: Governmental Financial Management and Control (GFMC)



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AGA GFMC Exam Syllabus Topics:

Topic	Details
Topic 1	<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.

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"> 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 4	<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 5	<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.

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AGA Examination 3: Governmental Financial Management and Control (GFMC) Sample Questions (Q93-Q98):

NEW QUESTION # 93

According to OMB Circular A-50, who holds personal responsibility for ensuring that disagreements with audit findings and recommendations are resolved?

- A. comptroller general
- B. inspector general
- C. OMB deputy director for management
- D. audit follow-up official

Answer: D

Explanation:

What Does OMB Circular A-50 Require?

* OMB Circular A-50 establishes policies for resolving and following up on audit findings and recommendations. It assigns personal responsibility to an audit follow-up official within the agency for ensuring that disagreements with audit findings are resolved and that corrective actions are implemented.

Why Is the Audit Follow-Up Official Responsible?

* The follow-up official ensures the agency responds appropriately to audit findings, tracks corrective actions, and resolves disagreements in a timely manner. This ensures accountability and compliance with audit recommendations.

Why Other Options Are Incorrect:

- * A. Comptroller General: The Comptroller General leads the GAO and oversees audits but is not responsible for resolving disagreements within agencies.
- * B. OMB Deputy Director for Management: Provides guidance on audit policies but does not hold personal responsibility for resolving disagreements.
- * C. Inspector General: Performs audits and investigations but does not resolve disagreements over audit findings.

References and Documents:

- * OMB Circular A-50: Specifies that the audit follow-up official holds responsibility for resolving disagreements.
- * GAO Yellow Book: Discusses the roles and responsibilities of various officials in audit processes.

NEW QUESTION # 94

The ratios used to determine an organization's ability to meet its creditor's demands are

- A. liquidity ratios.
- B. turnover ratios.
- C. budgetary cushion ratios.
- D. debt burden ratios.

Answer: A

Explanation:

What Are Liquidity Ratios?

Liquidity ratios are financial metrics used to measure an organization's ability to meet its short-term financial obligations as they come due. These ratios assess whether the organization has sufficient liquid assets (like cash, receivables, or short-term investments) to cover its current liabilities (debts or obligations due within a year).

Why Are They Relevant to Creditors?

Creditors care deeply about an entity's ability to repay its debts in a timely manner. Liquidity ratios provide a snapshot of the organization's financial health and give insight into its capacity to meet short-term demands.

They are essential tools in evaluating whether a government entity (federal, state, or local) or any other organization can pay its creditors without needing to secure additional financing or liquidate long-term assets.

Common Liquidity Ratios:

The most commonly used liquidity ratios are:

* Current Ratio: This measures the organization's ability to pay off its current liabilities with current assets. Formula: $\text{Current Assets} \div \text{Current Liabilities}$

* Quick Ratio (Acid-Test Ratio): A stricter version of the current ratio, it excludes less liquid assets (like inventory) to assess the organization's immediate ability to pay short-term debts. Formula: $(\text{Current Assets} - \text{Inventory}) \div \text{Current Liabilities}$

* Cash Ratio: Focuses only on the most liquid assets, such as cash and cash equivalents. Formula: $\text{Cash} + \text{Cash Equivalents} \div \text{Current Liabilities}$

How Do Liquidity Ratios Apply to Governmental Accounting?
In governmental accounting, liquidity ratios are crucial for determining whether a governmental entity has the financial flexibility to manage short-term obligations like accounts payable, payroll, and other operating costs.

For example:

* State and local governments use liquidity ratios to show stakeholders their ability to sustain operations without financial strain.

* Government-wide financial statements (under GASB standards) often emphasize liquidity to demonstrate fiscal health to bondholders and credit rating agencies.

Why Not Other Ratios?

* A. Budgetary Cushion Ratios: These focus on the organization's ability to withstand revenue shortfalls and maintain budgetary reserves, not specifically on meeting creditor demands.

* C. Debt Burden Ratios: These measure the overall burden of debt on the organization but don't directly address short-term liquidity or solvency.

* D. Turnover Ratios: These evaluate operational efficiency (e.g., how quickly assets like inventory are converted into revenue), which doesn't directly relate to creditor demands.

References and Documents:

- * Government Financial Manager (GFM) Competency Framework by the Association of Government Accountants (AGA): Section on "Financial Analysis" emphasizes the importance of liquidity ratios in assessing short-term solvency for government entities.

- * GASB Concepts Statement No. 1: Discusses the need for governmental financial reporting to provide information on financial condition, including short-term liquidity.

- * AGA Performance Management Framework Guide (2023): Highlights liquidity ratios as critical tools for demonstrating fiscal responsibility and transparency in public sector financial management.

NEW QUESTION # 95

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

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

Answer: D

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.

NEW QUESTION # 96

Which element of an inventory management system includes determining how much stock to have on hand?

- A. inventory control
- B. supply control
- C. safeguard control
- D. management control

Answer: A

Explanation:

What Is Inventory Control?

* Inventory control refers to the processes and systems used to manage stock levels, including determining how much inventory to keep on hand, reordering stock, and maintaining optimal levels to meet operational needs while minimizing costs.

* Determining stock levels is a central function of inventory control, ensuring the organization has the right amount of inventory to meet demand without overstocking or understocking.

Why Other Options Are Incorrect:

* B. Safeguard control: This refers to protecting inventory from theft, damage, or loss, not determining stock levels.

* C. Management control: This is a broader term encompassing oversight and governance, not specific to inventory.

* D. Supply control: This typically refers to managing supply chains and suppliers, not the internal control of inventory levels.

References and Documents:

* GAO Inventory Management Guide: Defines inventory control as the process of determining and maintaining appropriate stock levels.

* Best Practices in Government Inventory Management (AGA): Emphasizes the role of inventory control in balancing supply and demand.

NEW QUESTION # 97

What is the first step on performing a risk assessment under the COSO Internal Control Framework?

- A. setting risk tolerance levels
- B. review of prior audit findings
- C. identification of risks
- D. defining internal control objectives

Answer: D

Explanation:

* Risk Assessment Under COSO Framework:

- * The first step in a COSO-based risk assessment is defining internal control objectives. This establishes what the organization aims to achieve, providing a framework for identifying risks and ensuring controls align with objectives.
- * Risk assessment focuses on evaluating the likelihood and impact of risks that could hinder these objectives.
- * Explanation of Answer Choices:
- * A. Identification of risks: Identifying risks follows the definition of internal control objectives.
- * B. Defining internal control objectives: Correct. Objectives must be defined first to provide a basis for identifying and assessing risks.
- * C. Review of prior audit findings: Important, but it's not the starting point for a risk assessment under COSO.
- * D. Setting risk tolerance levels: This occurs later, after risks have been identified and evaluated.

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COSO, Internal Control - Integrated Framework.

GAO, Standards for Internal Control in the Federal Government (Green Book).

NEW QUESTION # 98

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