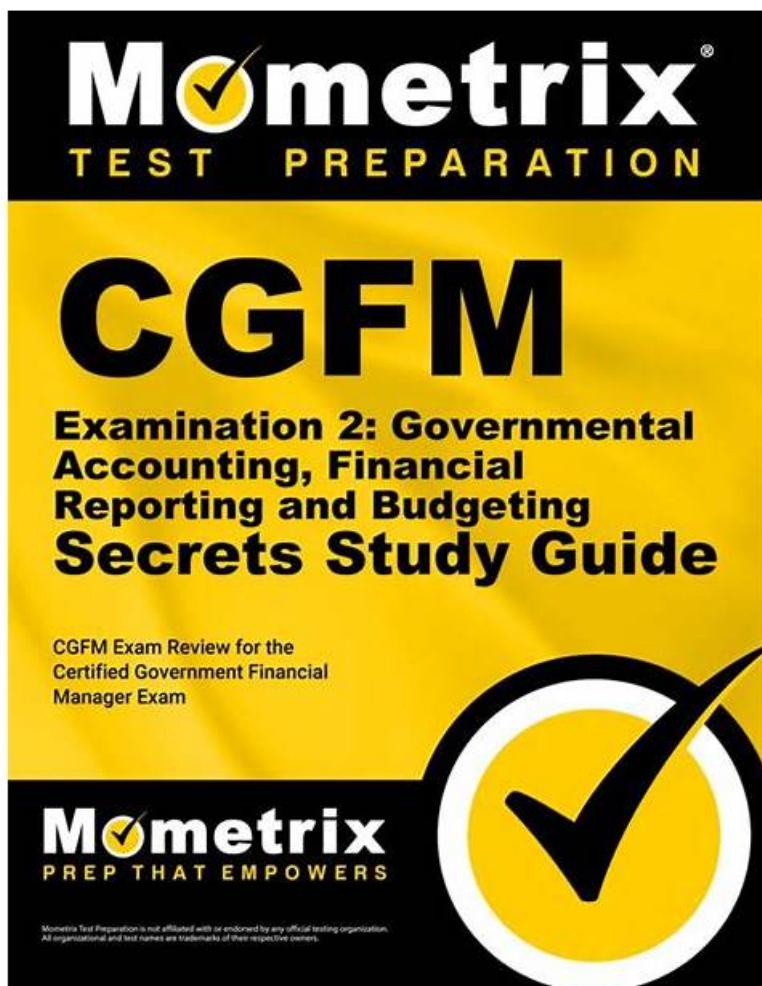


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## AGA GAFRB Exam Syllabus Topics:

Topic	Details
Topic 1	<ul style="list-style-type: none"><li>• 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.</li></ul>

Topic 2	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
Topic 3	<ul style="list-style-type: none"> <li>• 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.</li> </ul>

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## **AGA Examination 2: Governmental Accounting, Financial Reporting and Budgeting (GAFRB) Sample Questions (Q105-Q110):**

### **NEW QUESTION # 105**

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. Nonspendable Fund Balance
- **B. Committed Fund Balance**
- C. Restricted Fund Balance
- D. Assigned Fund Balance

### **Answer: B**

Explanation:

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

### **NEW QUESTION # 106**

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

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

**Answer: C**

Explanation:

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 # 107**

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

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

**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 # 108**

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

**Answer: C**

Explanation:

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 # 109

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

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

**Answer: C**

Explanation:

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 # 110

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