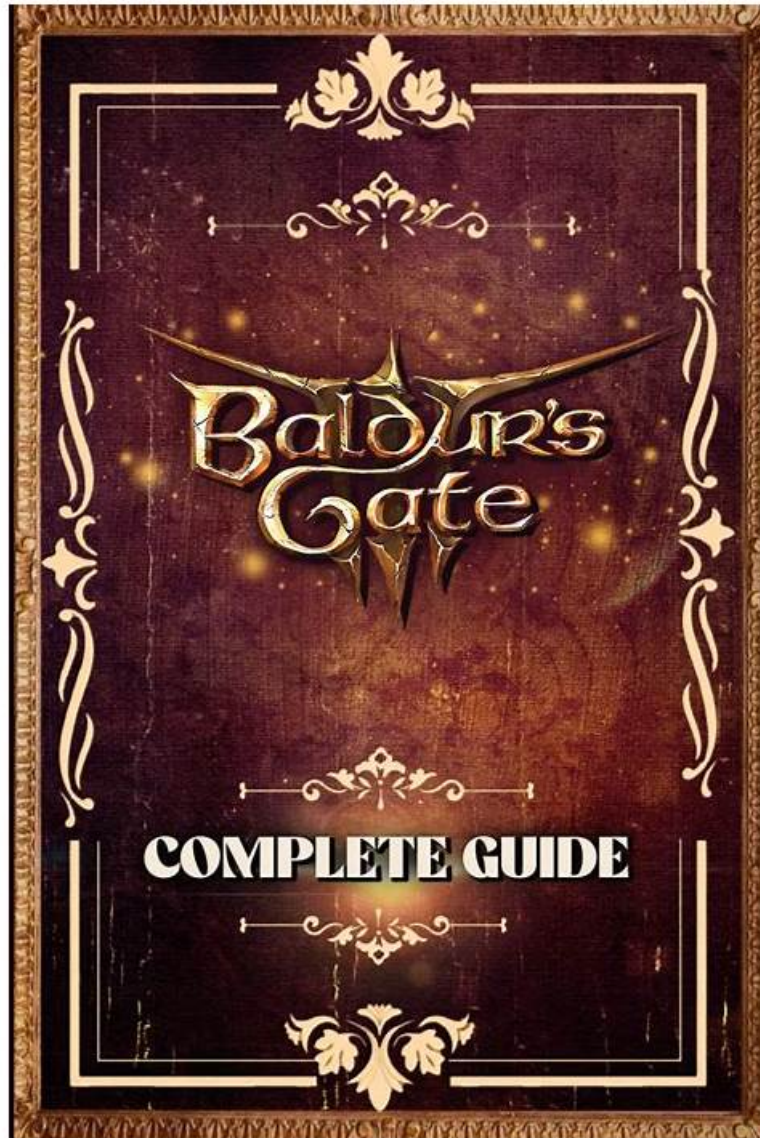


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## AGA GAFRB Exam Syllabus Topics:

Topic	Details

Topic 1	<ul style="list-style-type: none"> <li>• <b>Federal Financial Accounting and Reporting:</b> 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>• <b>Governmental Financial Accounting, Reporting and Budgeting: General Knowledge:</b> 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>• <b>State and Local Financial Accounting and Reporting:</b> 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 (Q41-Q46):**

### **NEW QUESTION # 41**

The four general government auditing standards are

- **A. qualifications, independence, due professional care and quality control.**
- B. supervision, planning, management controls and evidence.
- C. planning, internal controls, independence and irregularities.
- D. compliance, timeliness, qualifications and due professional care.

**Answer: A**

Explanation:

What Are the Four General Government Auditing Standards?

\* These standards, as defined in the GAO Yellow Book (Government Auditing Standards):

\* **Qualifications:** Auditors must have the necessary professional skills and competence to perform their work.

\* **Independence:** Auditors must remain free from personal, external, and organizational impairments to maintain objectivity.

\* **Due Professional Care:** Auditors must exercise care and diligence, adhering to professional standards and ethical requirements.

\* **Quality Control:** Auditors must establish and maintain a system of quality control to ensure audit work meets professional standards.

Why Is Option D Correct?

\* These four elements are explicitly outlined in the GAO Yellow Book as the core principles of government auditing standards.

Why Other Options Are Incorrect:

\* **A. Compliance, timeliness, qualifications, and due professional care:** Timeliness and compliance are not part of the four general

standards; they are components of audit objectives.

\* B. Supervision, planning, management controls, and evidence: These are aspects of audit performance, not general standards.

\* C. Planning, internal controls, independence, and irregularities: Planning and internal controls are part of the audit process, not general standards.

References and Documents:

\* GAO Yellow Book (Generally Accepted Government Auditing Standards - GAGAS): Lists qualifications, independence, due professional care, and quality control as the four general standards.

\* AICPA Audit Standards: Aligns with GAGAS in emphasizing these four principles.

#### NEW QUESTION # 42

Which of the following government-wide financial statements are required for state and local governments?

- A. statement of net position and statement of changes in net position
- B. statement of net position, statement of activities, and statement of cash flows
- **C. statement of net position and statement of activities**
- D. balance sheet and operating statement

**Answer: C**

Explanation:

The government-wide financial statements required by GASB Statement No. 34 include:

Statement of Net Position (similar to a balance sheet)

Statement of Activities (similar to an income statement)

These financial statements provide a consolidated view of the government's financial position and activities using the economic resources measurement focus and accrual basis of accounting.

There is no requirement under GASB for a government-wide statement of cash flows.

Relevant Standards and References:

GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments

GASB Codification Section 2200: Financial Reporting GFOA Budgeting Best Practices Therefore, Option C is correct.

#### NEW QUESTION # 43

Based on FASAB standards, calculate the full cost of 1 unit of an output using the following information:

Number of outputs	5
Direct material	\$11,267,000
Direct labor	\$ 5,980,000
Inter-entity costs	\$ 1,500,000
Accounting and contracting services	\$ 500,000
Physical and data security	\$ 700,000
Logistics services received in-kind	Equivalent to \$500,000
Warehouse lease	\$ 1,000,000
Parking lot construction	\$ 3,000,000
Equipment installation	\$ 600,000
New employee training	\$ 100,000

- A. \$ 4,909,400
- B. \$ 3,989,400
- C. \$ 5,029,400
- **D. \$25,147,000**

**Answer: D**

Explanation:

Under FASAB standards, specifically SFFAS No. 4, Managerial Cost Accounting Standards, the full cost of an output includes:

Direct costs (e.g., direct material and labor)

Indirect costs (e.g., inter-entity costs, overhead, services)

In-kind contributions

Any support service costs

Depreciation or amortization, if applicable

We will now compute the full cost of all 5 units and then divide by 5 to obtain the cost per unit.

Step 1: List and sum all relevant costs.

Direct Material: \$11,267,000

Direct Labor: \$5,980,000

Inter-entity Costs: \$1,500,000

Accounting and Contracting Services: \$500,000

Physical and Data Security: \$700,000

In-kind Logistics Services: \$500,000

Warehouse Lease: \$1,000,000

Parking Lot Construction: \$3,000,000

Equipment Installation: \$600,000

New Employee Training: \$100,000

Total Full Cost =

\$11,267,000

\$5,980,000

\$1,500,000

\$500,000

\$700,000

\$500,000

\$1,000,000

\$3,000,000

\$600,000

\$100,000

= \$25,147,000

Step 2: Calculate cost per unit (based on 5 outputs):

Cost per unit =  $\$25,147,000 \div 5 = \$5,029,400$

But the question specifically asks:

"Based on FASAB standards, calculate the full cost of 1 unit of an output..." So, the correct answer (full cost of all units) is:

D). \$25,147,000

If they had asked for cost per unit, then the answer would be:

= \$5,029,400 # Option C

Note: Option C is a distractor here and would only be correct if the question specifically asked for per unit cost.

Relevant Standards and References:

FASAB Statement of Federal Financial Accounting Standards (SFFAS) No. 4: Managerial Cost Accounting Concepts and

Standards OMB Circular A-136: Financial Reporting Requirements Treasury Financial Manual (TFM), Volume I, Part 2, Chapter

4700 Therefore, the correct answer to the full cost (not per unit) is:

D). \$25,147,000.

#### NEW QUESTION # 44

Purchase orders are issued in the amount of \$427,000. The general ledger entry to record the encumbrance should be

- A. Debit Fund Balance \$427,000 Credit Encumbrances \$427,000
- B. Debit Encumbrances \$427,000 Credit Expenditures \$427,000
- **C. Debit Encumbrances \$427,000 Credit Budgetary Fund Balance \$427,000**
- D. Debit Appropriations \$427,000 Credit Encumbrances \$427,000

**Answer: C**

Explanation:

When a government issues purchase orders, it records encumbrances to reflect commitments against appropriations. This helps track budgetary commitments and avoid overspending.

The entry is recorded in the budgetary accounts (not proprietary accounts) as follows:

Debit Encumbrances: Recognizes the commitment

Credit Budgetary Fund Balance (or Reserve for Encumbrances): Reflects that part of the fund balance is committed This is consistent with modified accrual accounting and standard governmental fund practice.



Relevant References:

GASB Codification Section 1300 - Budgetary Accounting

GFOA Best Practices - Encumbrance Accounting

GAO Principles of Appropriation Law - Encumbrance Controls

D). Debit Encumbrances \$427,000; Credit Budgetary Fund Balance \$427,000

**NEW QUESTION # 45**

A local government is evaluating different financing options for an upcoming capital project. Which of the following debt instruments will typically offer the lowest interest rate?

- **A. general obligation bonds**
- B. certificate of deposit
- C. revenue bonds
- D. commercial paper

**Answer: A**

Explanation:

General obligation (GO) bonds are backed by the full faith and credit of the issuing government, meaning they are secured by the government's taxing power. Because of this strong security, GO bonds typically carry lower interest rates compared to other financing options like revenue bonds or commercial paper.

Revenue bonds, by contrast, are supported only by the revenues from a specific project or source (e.g., tolls or utility fees), which generally results in higher perceived risk and thus higher interest rates. Certificates of deposit are not debt instruments used for financing projects but rather for investment.

Relevant Standards and References:

GFOA Best Practices - Debt Management

Government Finance Officers Association (GFOA) Debt 101

MSRB (Municipal Securities Rulemaking Board): GO vs. Revenue Bonds

GASB Concepts Statement No. 1, Objective of Financial Reporting

Therefore, Option B is correct.

**NEW QUESTION # 46**

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