

# Free PDF Quiz 2026 Reliable GAFRB: Examination 2: Governmental Accounting, Financial Reporting and Budgeting (GAFRB) Exams Dumps



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## AGA GAFRB Exam Syllabus Topics:

Topic	Details
Topic 1	<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>
Topic 2	<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 3	<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>

## AGA GAFRB Valid Test Question - GAFRB Latest Study Questions

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### AGA Examination 2: Governmental Accounting, Financial Reporting and Budgeting (GAFRB) Sample Questions (Q14-Q19):

#### NEW QUESTION # 14

A government issues general obligation bonds at a premium. The associated amortization would be reported on the

- A. Statement of Activities as a component of interest expense.
- B. Statement of Revenues, Expenditures, and Changes in Fund Balance as a component of depreciation expenditures.
- C. Statement of Revenues, Expenditures, and Changes in Fund Balance as a component of interest expenditures.
- D. Statement of Activities as a component of depreciation expense.

**Answer: A**

Explanation:

When a government issues general obligation bonds at a premium, the premium is amortized over the life of the bond. Under the full accrual basis used in the government-wide financial statements (e.g., Statement of Activities), this amortization reduces the reported interest expense over time.

The fund financial statements (e.g., Statement of Revenues, Expenditures, and Changes in Fund Balance) follow the modified accrual basis and generally do not account for amortization of bond premiums.

Relevant References:

GASB Statement No. 34 - Government-Wide Financial Reporting

GASB Statement No. 65 - Items Previously Reported as Assets and Liabilities GFOA - Debt Reporting Best Practices B).

Statement of Activities as a component of interest expense

#### NEW QUESTION # 15

Which of the following revenue sources is an exchange-like transaction?

- A. grants
- B. fines
- C. operating permits
- D. income taxes

**Answer: C**

Explanation:

Exchange and exchange-like transactions occur when each party receives and gives up essentially equal value.

In the case of operating permits (e.g., business licenses or environmental permits), the payer receives a direct and proportional benefit in exchange for the fee paid, making this an exchange-like transaction.

In contrast:

Income taxes and fines are non-exchange revenues.

Grants may or may not be exchange-like, depending on stipulations, but generally are non-exchange.

Relevant Standards and References:

GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions GASB Codification Section N50,

Nonexchange Transactions GFOA Best Practices - Revenue Recognition Therefore, Option B is correct.

#### NEW QUESTION # 16

When a rural community creates a fire district to serve an area previously served by the county government, and the fire district receives no money or equipment from the county, this is an example of

- A. a government acquisition.
- B. intergovernmental operations.
- **C. a transfer of operations.**
- D. a government merger.

**Answer: C**

Explanation:

According to GASB Statement No. 69 (Government Combinations and Disposals of Government Operations), a transfer of operations occurs when one government relinquishes or ceases operations and another government assumes those operations, but no significant consideration (money, assets, or liabilities) is exchanged.

In this case, the fire district is assuming responsibility for fire protection without receiving funds or assets from the county. That aligns with the definition of a transfer of operations - not a merger or acquisition.

Relevant References:

GASB Statement No. 69 - Government Combinations and Disposals of Government Operations GASB Codification Section G60 - Combinations and Transfers GFOA Guidance on Intergovernmental Restructuring C). a transfer of operations

### **NEW QUESTION # 17**

GASB considers interperiod (intergenerational) equity when

- A. performing historical trend analysis.
- B. evaluating grant recipient awards.
- **C. issuing financial reporting guidelines.**
- D. selecting alternatives in budgeting procedures.

**Answer: C**

Explanation:

Comprehensive Detailed Explanation:

Interperiod (or intergenerational) equity is the concept that current-year revenues should be sufficient to pay for current-year services, so that future taxpayers are not burdened with today's costs.

GASB incorporates interperiod equity as a core principle when developing financial reporting standards, especially to evaluate whether financial reporting helps users assess if the government is living within its means.

Relevant References:

GASB Concepts Statement No. 1 - Objectives of Financial Reporting

GASB Statement No. 34 - Emphasizes accountability and long-term sustainability GFOA Budgeting Best Practices C). issuing financial reporting guidelines

### **NEW QUESTION # 18**

State and local governments account for budgeted and actual expenditures to ensure that

- **A. spending conforms to legal requirements.**
- B. actual expenditures are used to formulate next year's budget.
- C. GASB standards are met when producing the basic financial statements.
- D. cash is available to pay bills when they come due.

**Answer: A**

Explanation:

State and local governments adopt legally binding budgets and are required to monitor compliance with those budgets. Budget-to-actual comparisons help ensure that public funds are spent only as authorized by the legislative body. This supports the core accountability principle of public sector financial reporting.

While budgets can also support planning and cash flow, the primary purpose of tracking budgeted vs. actual expenditures is legal compliance.

Relevant References:

GASB Statement No. 34 - Budgetary Comparison Schedules

