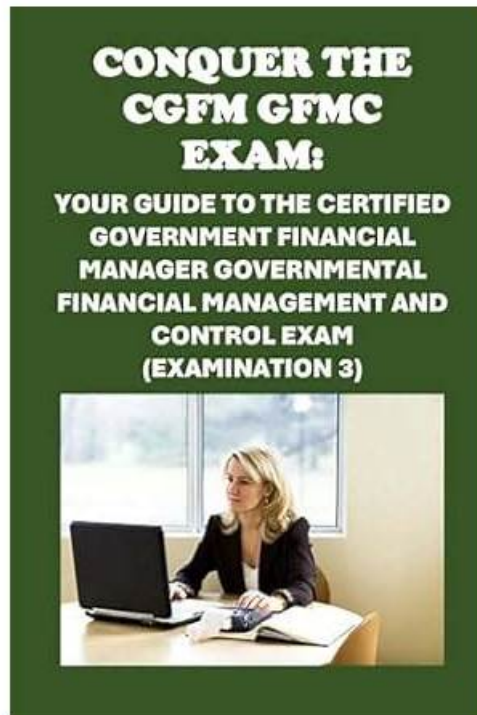


# Exam GFMC Reference - Free PDF GFMC - First-grade Examination 3: Governmental Financial Management and Control (GFMC) Valid Exam Questions



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## AGA GFMC Exam Syllabus Topics:

Topic	Details

Topic 1	<ul style="list-style-type: none"> <li>• <b>Auditing:</b> 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.</li> </ul>
Topic 2	<ul style="list-style-type: none"> <li>• <b>Financial and Managerial Analysis Techniques:</b> 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.</li> </ul>
Topic 3	<ul style="list-style-type: none"> <li>• <b>Performance Measurement</b></li> <li>• <b>Metrics</b></li> <li>• <b>Service Efforts and Accomplishments:</b> 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.</li> </ul>
Topic 4	<ul style="list-style-type: none"> <li>• <b>Financial Management Functions:</b> 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.</li> </ul>
Topic 5	<ul style="list-style-type: none"> <li>• <b>Internal Control:</b> 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.</li> </ul>

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## AGA Examination 3: Governmental Financial Management and Control (GFMC) Sample Questions (Q95-Q100):

### NEW QUESTION # 95

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

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

**Answer: C**

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 # 96

In an attestation engagement, which party would make an assertion about a subject matter?

- A. management
- B. practitioner
- C. auditor
- D. user

**Answer: A**

Explanation:

What Is an Attestation Engagement?

An attestation engagement is a type of professional service where an independent practitioner (typically an auditor or CPA) evaluates and provides a report on assertions made by another party about a specific subject matter. These engagements follow standards set by organizations like the AICPA or GAO.

Who Makes the Assertion?

\* Management's Role: Management is the party responsible for making an assertion about the subject matter under review. For example, management might assert that internal controls are effective or that financial statements are fairly presented.

\* Auditor/Practitioner's Role: The auditor or practitioner examines the evidence related to the assertion and provides an opinion or conclusion based on that examination.

\* User's Role: The users are the stakeholders (e.g., investors, regulators) who rely on the practitioner's report, but they do not make assertions.

Why Other Options Are Incorrect:

\* B. Auditor/Practitioner: The auditor or practitioner evaluates the assertion made by management, not the other way around.

\* C. Practitioner: See above—practitioners don't make assertions.

\* D. User: Users are the intended audience of the attestation report, not the party making assertions.

References and Documents:

\* AICPA Attestation Standards (SSAEs): Clarifies the role of management in making assertions during attestation engagements.

\* GAO's Government Auditing Standards (Yellow Book): Provides additional guidance on the roles of parties in attestation engagements.

### NEW QUESTION # 97

A state transfers cash to a broker and the broker transfers securities to the state, promising to repay the cash plus interest in exchange for the return of the same securities. This transaction is an example of

- A. a reverse repurchase agreement.
- B. a mutual buy-sell agreement.
- C. a repurchase agreement.

- D. an arbitrage agreement.

**Answer: C**

Explanation:

\* Definition of a Repurchase Agreement (Repo): A repurchase agreement is a short-term financial transaction where one party sells securities to another with an agreement to repurchase them at a later date for a specified price, which includes interest. It functions as a secured loan.

\* Transaction Description:

\* The state transfers cash to a broker.

\* The broker provides securities as collateral and agrees to repay the cash plus interest in exchange for the return of the same securities. This arrangement matches the definition of a repurchase agreement.

\* Explanation of Answer Choices:

\* A. Arbitrage agreement: Arbitrage involves exploiting price differences in markets, unrelated to this transaction.

\* B. Repurchase agreement: Correct, as it fits the definition.

\* C. Mutual buy-sell agreement: This involves agreements to buy and sell assets, unrelated to this financial transaction.

\* D. Reverse repurchase agreement: Incorrect, as the state would be the borrower, not the lender, in a reverse repo.

:

U.S. Department of the Treasury, Guide to Federal Investments.

Financial Accounting Standards Board (FASB), Accounting for Repurchase Agreements.

### NEW QUESTION # 98

According to OMB Circular A-11, what analytical method should be used to measure the cost, schedule and performance goals of a capital asset acquisition project?

- A. net present value
- B. future value
- C. earned value management
- D. regression analysis

**Answer: C**

Explanation:

\* OMB Circular A-11 and Capital Asset Acquisition:

\* OMB Circular A-11 mandates the use of earned value management (EVM) for measuring cost, schedule, and performance goals in capital asset acquisition projects.

\* EVM integrates project scope, schedule, and cost data to assess project performance and forecast outcomes.

\* Explanation of Answer Choices:

\* A. Earned value management: Correct. EVM is the prescribed method for tracking progress on capital projects under OMB Circular A-11.

\* B. Net present value: Used for financial analysis, such as determining the economic value of future cash flows, but not for tracking project progress.

\* C. Future value: Measures the value of an investment at a future point, not applicable to project tracking.

\* D. Regression analysis: A statistical method for identifying relationships between variables, not for measuring project performance.

:

OMB Circular A-11, Capital Programming Guide.

U.S. General Services Administration (GSA), Earned Value Management Implementation.

### NEW QUESTION # 99

A primary deterrent to fraud is

- A. the fear of detection.
- B. delegation of responsibility without oversight.
- C. job satisfaction and sense of "team"
- D. performance of employee background checks.

**Answer: A**

Explanation:

\* A primary deterrent to fraud is the fear of being caught. When individuals believe there is a high likelihood of detection, they are less likely to commit fraudulent acts.

\* Strong internal controls, monitoring and audits increase this fear and serve as effective deterrents.

\* Explanation of Answer Choices:

\* A. Delegation of responsibility without oversight: Incorrect. Lack of oversight increases the risk of fraud rather than deterring it.

\* B. The fear of detection: Correct. The fear of being caught is one of the most effective fraud deterrents.

\* C. Job satisfaction and sense of "team": While these contribute to a positive work environment, they do not directly deter fraud.

\* D. Performance of employee background checks: Background checks are a preventive measure but are less effective as a fraud deterrent compared to detection risk.

$$\vdots$$

Association of Certified Fraud Examiners (ACFE), Fraud Prevention Guidance.

GAO, Fraud Risk Management Framework.

### NEW QUESTION # 100

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