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AGA GFMC Exam Syllabus Topics:

Topic	Details
Topic 1	- 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 2	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	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 4	• 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.
Topic 5	• 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.

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AGA Examination 3: Governmental Financial Management and Control (GFMC) Sample Questions (Q23-Q28):

NEW QUESTION # 23
A primary deterrent to fraud is

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

Answer: A

Explanation:
* Deterrence of Fraud:
* A primary deterrent to fraud is thefear 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.
:
Association of Certified Fraud Examiners (ACFE),Fraud Prevention Guidance.
GAO,Fraud Risk Management Framework.

NEW QUESTION # 24
Which of the following acts requires federal agencies to pay interest to state government funds for entitlements that are not provided in a timely manner?

- A. Cash Management Improvement Act

* B. Accountability for Tax Dollars Act
* C. Debt Collection Improvement Act
* D. CFO Act

Answer: A

Explanation:
What Does the Cash Management Improvement Act (CMIA) Do?
* CMIA governs the transfer of federal funds to state governments and ensures timely and efficient use of these funds.
* If federal agencies fail to provide funds for entitlements (e.g., Medicaid) in a timely manner, CMIA requires them to payinterestto state governments for the delays.
* This ensures states are compensated for any financial burden caused by delayed federal transfers.
Why Other Options Are Incorrect:
* A. Debt Collection Improvement Act:Focuses on improving debt collection practices for the federal government, not entitlements or interest payments to states.
* B. CFO Act:Improves federal financial management but does not address payment timeliness or interest.
* C. Accountability for Tax Dollars Act:Expands audit requirements but does not involve compensation for delays.
References and Documents:
* CMIA (1990):Requires federal agencies to pay interest on late entitlement payments to states.
* Treasury Financial Manual:Details CMIA interest payment provisions.

NEW QUESTION # 25
The ratios used to determine an organization's ability to meet its creditor's demands are

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

Answer: B

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:Current Assets ÷ 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:(Current Assets - Inventory) ÷ Current Liabilities
* Cash Ratio:Focuses only on the most liquid assets, such as cash and cash equivalents.Formula:Cash + Cash Equivalents ÷ 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 # 26
A state transfers cagh 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 repurchase agreement.
- B. a reverse repurchase agreement.
- C. an arbitrage agreement.
- D. a mutual buy-sell agreement.

Answer: A

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 arepurchase 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 # 27
A federal government agency that expends beyond its appropriation is in violation of the

- A. Federal Managers' Financial Integrity Act.
- B. Antideficiency Act.
- C. Sarbanes-Oxley Act.
- D. Federal Financial Management Improvement Act.

Answer: B

Explanation:
* Antideficiency Act Overview:
* TheAntideficiency Act (31 U.S.C. §§ 1341, 1342, 1517)prohibits federal agencies from:
* Obligating or expending funds in excess of their appropriations.
* Entering into contracts without sufficient appropriated funds.
* Violating the Act is a serious matter, and agencies are required to report such violations to Congress and the President.
* Explanation of Answer Choices:
* A. Federal Managers' Financial Integrity Act: Incorrect. This Act requires agencies to assess internal controls, not monitor appropriations.
* B. Federal Financial Management Improvement Act: Incorrect. This Act focuses on improving financial systems, not budgetary compliance.

* C. Antideficiency Act: Correct. This Act directly prohibits expenditures beyond appropriations.
* D. Sarbanes-Oxley Act: Incorrect. This Act applies to corporate financial reporting, not federal appropriations.
:
Antideficiency Act (31 U.S.C. §§ 1341, 1342, 1517).
GAO,Principles of Federal Appropriations Law.

NEW QUESTION # 28
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