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AGA GAFRB Exam Syllabus Topics:

Topic	Details
Topic 1	<ul style="list-style-type: none">• 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.
Topic 2	<ul style="list-style-type: none">• 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.
Topic 3	<ul style="list-style-type: none">• 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.

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AGA Examination 2: Governmental Accounting, Financial Reporting and Budgeting (GAFRB) Sample Questions (Q96-Q101):

NEW QUESTION # 96

If an internal service fund needs to develop an hourly billing rate, the calculation should include

- A. all materials consumed during the year.
- B. the acquisition cost of equipment purchased during the year.
- C. all materials purchased during the year, even if the materials were not consumed.
- D. the replacement cost of equipment purchased during the year.

Answer: A

Explanation:

An internal service fund is used to account for goods or services provided by one department or agency to other departments or agencies of the governmental unit, typically on a cost-reimbursement basis.

To establish accurate billing rates (e.g., hourly rates), the fund must use actual costs of providing services.

This includes materials consumed, labor, depreciation, and overhead. Materials purchased but not used should not be included in the rate calculation for the current period.

Relevant Standards and References:

FASAB SFFAS No. 4, Managerial Cost Accounting

GASB Codification Section 1800, Internal Service Funds

GFOA Best Practices - Internal Service Fund Rate Setting

Therefore, Option A is correct.

NEW QUESTION # 97

The footnotes to audited financial statements disclose

- A. a summary of significant accounting policies.
- B. information about the auditor's opinion on the financial statements.
- C. the agency's performance metrics.
- D. the accounting principles used to prepare the financial statements.

Answer: A

Explanation:

Footnotes (Notes to the Financial Statements) serve to clarify and provide additional detail about the financial statements. Key components include:

Summary of significant accounting policies (e.g., measurement focus, basis of accounting) Details on capital assets, long-term liabilities, commitments, contingencies Pension/OPEB disclosures Not performance metrics or audit opinions (those are in MD&A and audit reports) Relevant References:

GASB Codification Section 2300 - Notes to Financial Statements

GFOA Best Practices - Financial Reporting and Disclosure

C). a summary of significant accounting policies.

NEW QUESTION # 98

What is the maximum period of subscription-based information technology agreement (SBITA), including any options to extend, that is classified as short term?

- A. 12 months
- B. 6 months
- C. 18 months
- D. 24 months

Answer: A

Explanation:

According to GASB Statement No. 96 (Subscription-Based Information Technology Arrangements or SBITAs), a subscription agreement is considered "short-term" if the maximum possible term (including renewal options) is 12 months or less.

Short-term SBITAs are not reported as subscription liabilities and are accounted for as outflows (expenses or expenditures) when incurred.

Relevant References:

GASB Statement No. 96 - SBITAs (Issued May 2020)

GASB Implementation Guide No. 2021-1 - Q&A on SBITAs

GFOA Advisory - Cloud Computing and Subscription Agreements

B). 12 months

NEW QUESTION # 99

At the beginning of the fiscal year a school district held the following capital assets:

What is the depreciation expense for the current year?

\$ 150,000 for cafeteria refrigerators
\$ 500,000 for heating system
\$1,000,000 for buses

useful life of 20 years
useful life of 15 years
useful life of 5 years

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- A. \$207,500
- B. \$233.333
- C. \$240.833
- D. \$200,000

Answer: A

Explanation:

We calculate straight-line depreciation for each asset using the formula:

Depreciation = Cost ÷ Useful Life

Given:

Refrigerators: $\$150,000 \div 20 = \$7,500$

Heating system: $\$500,000 \div 15 = \$33,333.33$

Buses: $\$1,000,000 \div 5 = \$200,000$

Total Depreciation:

\$7,500 (Refrigerators)

\$33,333.33 (Heating system)

\$200,000 (Buses)

= \$240,833

So the correct depreciation expense (rounded to the nearest dollar) is:

D). \$240,833

Note: Option B (\$207,500) is incorrect because it does not reflect total depreciation based on the useful lives provided.

Relevant References:

GASB Statement No. 34 - Capital Asset Reporting

GFOA Best Practices - Capital Assets and Depreciation

FASAB SFFAS No. 6 - Accounting for Property, Plant, and Equipment

D). \$240,833

NEW QUESTION # 100

State Medicaid caseloads have been exceeding projections for the past two months. Review of the data indicates the increase is likely to continue, leading to the need for significant supplemental appropriations before the end of the fiscal year. Based upon this information, what is the first action the state director of Medicaid should take?

- A. Confer with the chairmen or staff directors of the House and Senate appropriations committees concerning the need to call a legislative special session.
- B. Inform the governor of the situation and options for addressing the shortfall.
- C. Inform the legislative counsel bureau about the potential over-expenditure.

- D. Impose a hiring freeze and hold all spending approvals for contracts and purchases on the affected departments.

Answer: B

Explanation:

The first and most appropriate action for the state Medicaid director is to inform the governor. This ensures that executive leadership is aware of the fiscal shortfall early and can weigh in on how to proceed. The governor plays a central role in budget planning and proposing supplemental appropriations.

While informing legislators or freezing spending may be necessary later, those steps should occur after executive leadership has been notified and involved in decision-making.

Relevant References:

GFOA Best Practices - Budget Monitoring and Adjustment

State Budget Procedures Manuals (varies by state, but consistent in escalation path) National Association of State Budget Officers (NASBO) Guidance A). Inform the governor of the situation and options for addressing the shortfall

NEW QUESTION # 101

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