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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 (Q97-Q102):**

### **NEW QUESTION # 97**

When a new combined government replaces the separate governments of a city and a county, this is an example of

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

**Answer: A**

Explanation:

A government merger occurs when two or more legally separate governments are combined to form a new government, and the original governments cease to exist. This includes combinations like a city and county merging to form a unified government, with combined assets, liabilities, and operations.

There is no acquiring government - rather, the governments voluntarily combine into a new legal entity.

Relevant References:

GASB Statement No. 69 - Government Combinations and Disposals of Government Operations GASB Codification Section G60 - Definitions of Mergers vs. Acquisitions GFOA Government Restructuring Guidelines A). a government merger

### **NEW QUESTION # 98**

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

- A. Debit Appropriations \$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 Fund Balance \$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 # 99**

Management's need for real-time access to data is facilitated when

- A. data is represented visually and includes information that indirectly relates to the subject matter.
- **B. complex data sets are available on demand, presented with minimal distractions.**
- C. the prior year's financial statement data underlies the management reports used to decide on future expenditures.
- D. data supporting dashboards are updated every quarter.

**Answer: B**

Explanation:

Why Does Management Need Real-Time Data Access?

\* Real-time access to data enables managers to make timely and informed decisions.

\* Complex data sets presented clearly and concisely (with minimal distractions) allow decision-makers to focus on the critical insights necessary for strategic and operational planning.

Why Is Option D Correct?

\* On-demand access ensures managers can retrieve updated data whenever needed. Presenting the data in a focused and distraction-free format facilitates quick comprehension and decision-making.

Why Other Options Are Incorrect:

\* A. Visual representation with indirect information: Including unrelated data can overwhelm users and detract from effective decision-making.

\* B. Dashboards updated quarterly: Quarterly updates do not meet the need for real-time access.

\* C. Prior year's financial data: Decisions based solely on historical data are not responsive to real-time needs.

References and Documents:

\* GAO Data Analytics and Visualization Framework: Stresses the importance of real-time, actionable, and distraction-free data for decision-making.

\* AICPA Dashboard Guidelines: Recommends presenting complex data sets in a clear and accessible format for management use.

### NEW QUESTION # 100

Separate fund financial statements should be presented for

- A. governmental and proprietary funds.
- B. capital assets.
- C. net assets and activities.
- D. long-term debt.

**Answer: A**

Explanation:

Separate fund financial statements are required for:

Governmental Funds (e.g., general fund, special revenue)

Proprietary Funds (e.g., enterprise, internal service funds)

Fiduciary Funds (reported separately but not combined with government-wide statements) Long-term debt and capital assets are components within the financial statements-not fund types.

Relevant References:

GASB Statement No. 34 - Financial Reporting Model

GASB Codification Section 2200 - Financial Reporting

GFOA Fund Reporting Framework

B). governmental and proprietary funds

### NEW QUESTION # 101

A private bank provides a student loan that the government has insured against default. This is an example of

- A. a Pell Grant.
- B. loan insurance.
- C. a loan guarantee.
- D. a secured loan.

**Answer: C**

Explanation:

When a private bank issues a student loan that is insured by the government in case of default, the federal government is acting as a guarantor-not issuing the loan directly, but promising repayment to the lender if the borrower defaults. This is a classic example of a federal loan guarantee program.

Loan guarantees are off-budget unless called, and the government only incurs a liability if the student defaults.

Relevant References:

FASAB SFFAS No. 2 - Accounting for Direct Loans and Loan Guarantees

Credit Reform Act of 1990

OMB Circular A-11, Section 185 - Federal Credit Programs

