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## Exam Dumps GAFRB Demo, GAFRB Certificate Exam

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### AGA GAFRB Exam Syllabus Topics:

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

### AGA Examination 2: Governmental Accounting, Financial Reporting and Budgeting (GAFRB) Sample Questions (Q42-Q47):

#### NEW QUESTION # 42

A city utilizing a 60-day availability period has a June 30 year-end. It levies property taxes in January that are due in March, which are used to finance the general fund. The city levied \$15 million in taxes in the current fiscal year, collecting \$12 million during the fiscal year. In addition, the following amounts were collected in the months after year-end:

July \$1,000,000

August \$ 500,000

September \$ 250,000

How much revenue should the general fund recognize for the fiscal year?

- A. \$13.5 million
- B. \$13 million**
- C. \$12 million
- D. \$15 million

#### Answer: B

Explanation:

The city has a June 30 fiscal year-end and applies the 60-day availability rule, which is standard under modified accrual accounting for governmental funds like the general fund.

Total collections within:

Fiscal year: \$12 million

60-day window (July + August): \$1 million + \$500,000 = \$1.5 million

Revenue recognized = \$12 million + \$1.5 million = \$13.5 million

However, under GASB Interpretation No. 5 and GASB Statement No. 33, only amounts expected to be collected within 60 days after year-end should be recognized as revenue in the general fund. The city uses the 60-day rule.

Thus, the correct amount to recognize is:

\$12 million (collected during fiscal year)

\$1 million (July)

\$500,000 (August) = \$13.5 million

C). \$13.5 million

Relevant References:

GASB Statement No. 33 - Accounting and Financial Reporting for Nonexchange Transactions GASB Interpretation No. 5 - Property Tax Revenue Recognition GASB Codification Section 1600.115 (Modified Accrual Basis)

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#### NEW QUESTION # 43

The major difference in applying the accrual concept in governmental fund accounting, as opposed to private- sector accounting, is that revenues are

- A. recognized when they become measurable and available.
- B. recognized when an encumbrance order is prepared.
- C. recognized in the accounting period in which they are received.
- D. recorded when collectability occurs or can be reasonably estimated.

**Answer: A**

Explanation:

Governmental fund accounting uses the modified accrual basis of accounting. Under this basis, revenues are recognized when: They are measurable (amount can be reasonably determined)

They are available (collectible within the current period or soon enough thereafter to pay current liabilities - typically within 60 days) This is the key difference from full accrual accounting, which recognizes revenue when it is earned, regardless of when received.

Relevant References:

GASB Statement No. 33 - Accounting and Financial Reporting for Nonexchange Transactions GASB Statement No. 34 - Fund Accounting and Modified Accrual Basis GASB Codification Section 1600 - Fund Financial Reporting C). recognized when they become measurable and available

#### NEW QUESTION # 44

According to GAAP, all of the following should be addressed in the MD&A EXCEPT

- A. computation of legal debt margins.
- B. an overall analysis.
- C. a discussion of the basic financial statements.
- D. condensed comparative data.

**Answer: A**

Explanation:

Management's Discussion and Analysis (MD&A) is a required part of Required Supplementary Information (RSI) under GASB standards. It includes:

An overview and analysis of financial activities

Condensed comparative financial data

A discussion of the basic financial statements

An explanation of significant changes from the prior year

However, computation of legal debt margins is not required in the MD&A. This type of information is typically included in the statistical section of the ACFR (Annual Comprehensive Financial Report), not in MD&A.

Relevant References:

GASB Statement No. 34 - Basic Financial Statements and Management's Discussion and Analysis GASB Codification Section 2200 - MD&A Requirements GFOA ACFR Checklist C). computation of legal debt margins

## NEW QUESTION # 45

What is the entry when rent of \$500 is paid?

- A. debit expense \$500, credit cash \$500
- B. debit expense \$500, credit payables \$500
- C. debit cash \$500, credit expense \$500
- D. debit cash \$500, credit payables \$500

**Answer: A**

Explanation:

When a payment is made for rent, an expense is incurred and cash is reduced. The correct journal entry is:

Debit Rent Expense \$500 # to recognize the cost

Credit Cash \$500 # to reflect the cash outflow

D). debit expense \$500, credit cash \$500

Relevant References:

FASAB SFFAS No. 4 - Managerial Cost Accounting Concepts and Standards

Basic governmental and commercial accounting journal entry conventions

## NEW QUESTION # 46

In state and local financial audits, material weaknesses must be reported to the

- A. governing body.
- B. local media.
- C. taxpayers.
- D. legislature.

**Answer: A**

Explanation:

What Are Material Weaknesses?

\* A material weakness in internal control is a deficiency or combination of deficiencies that creates a reasonable possibility of a material misstatement in the financial statements that would not be prevented or detected in a timely manner.

\* In the context of state and local financial audits, material weaknesses must be reported to those charged with governance, as they are responsible for oversight and corrective actions.

Why Is the Governing Body the Correct Answer?

\* The governing body (e.g., city council, county board, or state commission) is directly responsible for overseeing the entity's financial operations and ensuring accountability. Reporting material weaknesses to them ensures that corrective actions can be implemented to strengthen internal controls.

\* Auditors communicate such findings through an audit report or a management letter addressed to the governing body.

Why Other Options Are Incorrect:

\* A. Legislature: The legislature may have oversight of state budgets and appropriations but is not the direct governing body for financial audits.

\* C. Taxpayers: While transparency is important, material weaknesses are not directly reported to taxpayers. They may be disclosed in public audit reports, but taxpayers are not the primary audience.

\* D. Local media: Material weaknesses are not formally reported to the media; their disclosure depends on the entity's public reporting processes.

References and Documents:

\* GAO Yellow Book (GAGAS): Requires auditors to report material weaknesses to those charged with governance.

\* GASB (Governmental Accounting Standards Board): Emphasizes the importance of communicating significant audit findings to governing bodies.

\* AICPA Audit Standards (AU-C 265): Requires auditors to communicate material weaknesses to management and those charged with governance.

## NEW QUESTION # 47

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