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Student: _____

1. FASAB, GASB and FASB standards are set forth primarily in documents called interpretations.

True False

2. FASAB, GASB and FASB standards are set forth primarily in documents called statements.

True False

3. The FASAB was established to recommend accounting and financial reporting standards for governmental and commercial enterprises.

True False

4. The GASB requires supplementary information to be reported with its financial statements if it is essential to establish appropriate context for the financial statements and notes.

True False

5. The Governmental Accounting Standards Board sets financial reporting standards for all units of government: federal, state, and local.

True False

6. Fund accounting exists primarily to provide assurance that resources are used according to legal or donor restrictions.

True False

7. The Financial Accounting Standards Board sets financial reporting standards for private sector organizations, except nongovernmental, not-for-profit organizations.

True False

8. The Financial Accounting Standards Board sets financial reporting standards for private not-for-profits and investor-owned businesses.

True False

9. The Federal Accounting Standards Advisory Board and the Governmental Accounting Standards Board are parallel bodies under the oversight of the Financial Accounting Foundation.

True False

10. An organization is presumed to be governmental if it has the ability to issue directly debt that is exempt from federal taxes.

True False

11. The Federal Accounting Standards Advisory Board requires less extensive reports than does the FASB or GASB.

True False

12. The FASAB requires more financial statements than are typically required of state and local governments.

True False

13. One objective of the Governmental Accounting Standards Board is to help users determine compliance with finance-related laws, rules, and regulations.

True False

14. All Governments must have as many funds as necessary to fulfill legal requirements and sound financial administration but must have at a minimum a General Fund.

True False

15. The Governmental Accounting Standards Board considers the financial reporting entity to include the primary government and its component units.

True False

16. A Management's Discussion and Analysis is required for state and local governmental units, but **not** the federal government.

True False

17. The GASB Concept Statement on Service Efforts and Accomplishments Reporting encourages state and local governments to include inputs of nonmonetary resources in their financial reporting.

True False

18. The GASB Concept Statement on Service Efforts and Accomplishments Reporting requires state and local governments to include inputs of nonmonetary resources in their financial reporting.

True False

19. Although certain supplementary information may not be required, if presented, it must follow GASB guidance regarding its format and content.

True False

20. The format and content of supplementary information which is **not** required by GASB is up to the discretion of the reporting entity.

True False

21. GASB and FASB Concept Statements establish accounting standards that must be complied with to receive an unqualified audit opinion.

True False

22. FASAB, GASB and FASB standards are set forth primarily in documents called statements.

True False

23. Fund-basis statements are presented for three categories of government activities: general, proprietary, and fiduciary.

True False

24. State and local governments may use eleven different fund types.

True False

25. Common measurement focus and basis of measurement is an important feature of government-wide financial statements.

True False

26. Governmental activities fund statements must be changed to the accrual basis from the modified accrual basis when preparing government-wide financial statements.

True False

27. Governmental activities fund statements may use modified accrual basis when preparing government-wide financial statements.

True False

28. All funds of a governmental unit use the current financial resources measurement focus and modified accrual basis of accounting.

True False

29. The government-wide statements and the fund statements for proprietary funds and fiduciary funds use the economic resources measurement focus and the accrual basis of accounting.

True False

30. Under modified accrual accounting, revenues are recognized when measurable and available to finance expenditures of the current period.

True False

31. General fixed assets of the government are reported both in the government-wide financial statements and the governmental fund financial statements.

True False

32. Comparison of the legally approved budget with actual results of the General Fund is included as part of required supplementary information in the CAFR.

True False

33. Comparison of the legally approved budget with actual results of the General Fund is **not** part of required supplementary information in the CAFR.

True False

34. Long-term debt that is to be paid with tax revenues is reported both in the government-wide statements and in the governmental fund statements.

True False

35. Measurement focus refers to those items, such as current and long-term assets, that are being reported on the financial statements.

True False

36. Infrastructure may or may **not** be capitalized by state and local governmental units.

True False

37. Fiduciary funds include agency, pension trust, investment trust, and private-purpose trust.

True False

38. The Financial Accounting Standards Board has authority to establish accounting and financial reporting standards for both private and state universities.

True False

39. FASB sets the reporting standards for private and public not-for profits.

True False

40. Internal Service funds are treated as governmental activities in the government-wide statements if the only "buyers" are departments within the General Fund.

True False

41. Permanent funds can be either a governmental fund or a fiduciary fund where only income on donated assets may be spent.

True False

42. Depreciation on capital assets is included as an expense in the Statement of Activities in the government-wide financial statements.

True False

43. Depreciation on capital assets is included as an expense in the Statement of Revenues, Expenses, and Changes in Fund Net Assets in the proprietary fund financial statements.

True False

44. Depreciation on capital assets is **not** included as an expense in the Statement of Revenues, Expenses, and Changes in Fund Net Assets in the proprietary fund financial statements

True False

45. According to GASB standards relating to Budgetary Accounting, an annual budget should be adopted by every governmental unit.

True False

46. According to GASB standards relating to Budgetary Accounting, budgetary comparisons should be included in the appropriate financial statements or schedules for governmental funds for which an annual budget has been adopted.

True False

47. According to GASB standards relating to Budgetary Accounting, budgetary comparisons should **not** be included in the appropriate financial statements or schedules for governmental funds for which an annual budget has been adopted.

True False

48. According to GASB standards relating to Budgetary Accounting, the accounting system should provide the basis for appropriate budgetary control.

True False

49. According to GASB standards relating to Budgetary Accounting, the budget, when adopted according to procedures specified by state laws, is binding upon the administrators of a governmental unit.

True False

50. A fund represents part of the activities of an organization which is separated from other activities in the accounting records to more easily demonstrate compliance with legal restrictions or limitations.

True False

51. The GASB recently published a white paper outlining prohibited transactions for not-for-profit organizations.

True False

52. The GASB recently published a white paper which identifies five environmental differences between governments and for-profit enterprises.

True False

53. The GASB sets accounting standards for all of the following except:

- A. State and local governments
- B. Libraries owned or controlled by governments
- C. Governmentally related not-for-profit universities
- D. Nongovernmental not-for-profit hospital

54. A government may have multiple funds for each of the following fund types **except**:

- A. Permanent
- B. General
- C. Special revenue
- D. Capital projects

55. Which of the following is a fiduciary fund?

- A. Internal service
- B. Permanent
- C. Enterprise
- D. Investment trust

56. Which of the following is **not** a fiduciary fund?

- A. Agency
- B. Pension trust
- C. Enterprise
- D. Private-purpose trust

57. Which of the following is a governmental fund?

- A. Special revenue
- B. Enterprise
- C. Agency
- D. Internal service

58. Which of the following is **not** one of the objectives of Federal Financial Reporting, as outlined in SAFAC 1, which was issued by the FASAB?

- A. Financial reporting should enable evaluation of the service efforts, costs and accomplishments of the reporting entity.
- B. Financial reporting should enable evaluation of the success rate of programs.
- C. Financial reporting should reveal whether financial systems and controls are adequate.
- D. Financial reporting should demonstrate accountability regarding raising and expending money according to budgetary process and laws and regulations.

59. The FASAB has the authority to establish accounting and financial reporting standards for:

- A. Federal government
- B. Investor owned business
- C. State and local governments
- D. Public not-for-profits

60. The FASB has the authority to establish accounting and financial reporting standards for:

- A. Federal government
- B. Private not-for-profits
- C. Public not-for-profits
- D. State and local governments

61. The GASB has the authority to establish accounting and financial reporting standards for:

- A. Federal government
- B. Private not-for-profits
- C. State and local governments
- D. None of the above

62. In order for a fund to exist, there must be:

- A. A fiscal entity; assets set aside for a specific purpose
- B. A double-entry accounting entity
- C. Both A & B are required
- D. A & B are optional and not required

63. Which fund category must change from modified accrual to accrual basis when preparing government-wide financial statements?

- A. Governmental
- B. Proprietary
- C. Fiduciary
- D. B & C only

64. Which of the following use current financial resources measurement focus?

- A. Fiduciary fund statements
- B. Governmental fund statements
- C. Proprietary fund statements
- D. Enterprise fund statements

65. What is the minimum number of funds to be used by a governmental unit?

- A. One; the General Fund
- B. Two; the General Fund and one permanent fund
- C. As many as necessary to fulfill legal requirements and sound financial administration
- D. A & C

66. Which of the following would **not** be included in FASB Statement of Financial Accounting Concepts #4, which identifies the information needs of the users of non-business financial statements?

- A. Format and content of financial statements
- B. Assessing services provided by a non-business organization and its ability to continue to provide those services
- C. Assessing managements' stewardship and performance
- D. Evaluation of an organization's resources, obligations and effects of changes in net resources

67. GASB standards contain all of the following in its three-part budgetary principle except:

- A. An annual budget should be adopted by every governmental unit.
- B. The accounting system should provide the basis for appropriate budgetary control.
- C. Budgetary comparisons should be included in the appropriate financial statement and schedules for governmental funds for which an annual budget has been adopted.
- D. None of the above; all would be included

68. The Governmental Accounting Standards Board has been given authority to establish accounting and financial reporting standards for:

- A. all governmental units and agencies.
- B. federal, state, and local governments.
- C. all governmental units and all not-for-profit organizations.
- D. state and local governmental entities, and governmentally-owned utilities, authorities, hospitals, and colleges and universities.

69. Which of the following characteristics would **not** define an organization as governmental?

- A. The power to enact and enforce a tax levy.
- B. The potential for unilateral dissolution by a government with the net assets reverting to a government.
- C. The receipt of grant money from a state or local government for the purpose of providing services to the public.
- D. All of the above.

70. Which of the following characteristics would define an organization as governmental?

- A. The power to enact and enforce a tax levy.
- B. The potential for unilateral dissolution by a government with the net assets reverting to a government.
- C. The receipt of grant money from a state or local government for the purpose of providing services to the public.
- D. Both A and B

71. Level "A" GAAP for The University of Virginia, a public institution, would be established by the:

- A. Financial Accounting Standards Board.
- B. Governmental Accounting Standards Board.
- C. American Institute of Certified Public Accountants.
- D. National Association of College and University Business Officers.

72. Under the modified accrual basis of accounting, revenues should be recognized when they are:

- A. authorized by the budget ordinance.
- B. earned and measurable.
- C. measurable and available to finance expenditures of the current period.
- D. realized through collection.

73. Fiduciary funds are to use the:

- A. economic resources measurement focus and accrual basis of accounting.
- B. current financial resources measurement focus and accrual basis of accounting.
- C. economic resources measurement focus and modified accrual basis of accounting.
- D. none of the above, the fiduciary funds have no revenues.

74. Proprietary funds use the:

- A. economic resources measurement focus and modified accrual basis of accounting.
- B. current financial resources measurement focus and modified accrual basis of accounting.
- C. economic resources measurement focus and accrual basis of accounting.
- D. current financial resources measurement focus and accrual basis of accounting.

75. Governmental funds are to use the:

- A. economic resources measurement focus and accrual basis of accounting.
- B. current financial resources measurement focus and accrual basis of accounting.
- C. economic resources measurement focus and modified accrual basis of accounting.
- D. current financial resources measurement focus and modified accrual basis of accounting.

76. Government-wide statements use the:

- A. current financial resources measurement focus and accrual basis of accounting.
- B. economic resources measurement focus and accrual basis of accounting.
- C. economic resources measurement focus and modified accrual basis of accounting.
- D. none of the above, the fiduciary funds have no revenues.

77. Governmental funds do **not** include:

- A. Special revenue funds
- B. Internal service funds
- C. Debt service funds
- D. The General fund

78. Governmental funds include:

- A. Special revenue funds
- B. Internal service funds
- C. Debt service funds
- D. A and C

79. The "Hierarchy of GAAP" is established by the:

- A. Financial Accounting Standards Board.
- B. Federal Accounting Standards Advisory Board.
- C. Governmental Accounting Standards Board.
- D. All of the above have established a hierarchy.

80. The term "proprietary funds" applies to:

- A. enterprise funds only.
- B. all funds that use accrual accounting.
- C. enterprise, internal service, and private-purpose trust funds.
- D. none of the above answers are correct.

81. The term "proprietary funds" applies to:

- A. enterprise and internal service funds.
- B. pension, investment trust and enterprise funds.
- C. enterprise, internal service, and private-purpose trust funds.
- D. none of the above answers are correct.

82. Which of the following organizations has authority to establish accounting and financial reporting standards for the federal government?

- A. Federal Accounting Standards Advisory Board.
- B. Office of Management and Budget.
- C. Governmental Accounting Standards Board.
- D. None of the above; no one has been granted authority to set standards for the federal government

83. Which of the following is most correct with regard to Management's Discussion and Analysis (MD&A)?

- A. State and local governments are required to provide an MD&A.
- B. Federal agency financial reports are required to provide an MD&A.
- C. Both state and local governments and federal agencies are encouraged, but not required to provide an MD&A.
- D. Both state and local governments and federal agencies are required to provide an MD&A.

84. Which of the following is **not** true regarding GASB Concepts Statement No. 2, *Service Efforts and Accomplishments Reporting*:

- A. It encourages governments to experiment with reporting more complete information about an entity's performance than can be displayed in the traditional financial statements.
- B. It outlines categories of information that might be reported.
- C. It prescribes detailed standards governing the reporting of service efforts and accomplishments reporting.
- D. None of the above, all are true.

85. GASB Concepts Statement No. 3, *Communication Methods in General Purpose External Financial Reports that Contain Basic Financial Statements*, states that

- A. notes to the financial statements may include management's objective explanations.
- B. required supplementary information must be objective and may not include predictions or subjective assessments.
- C. disclosure in the notes is not an adequate substitute for recognition in the financial statements.
- D. All of the above are correct.

86. Under GASB Statement 34, capital assets:

- A. must be reported in government-wide statements but are not reported in any of the fund financial statements.
- B. must be reported in government-wide statements and in proprietary fund financial statements.
- C. are **not** to be reported in either government-wide or fund financial statements.
- D. are to be reported but **not** depreciated in government-wide and fund financial statements.

87. Long-term debt of a governmental unit would be reported in the:

- A. government-wide financial statements and proprietary fund financial statements.
- B. government-wide financial statements only.
- C. debt service funds of governmental fund financial statements and government-wide financial statements.
- D. notes to the financial statements only.

88. In order for a fund to exist, there must be

- A. assets set aside for specific purposes.
- B. a separate revenue stream.
- C. a double-entry accounting entity.
- D. A and C are correct.

89. A city government collects local option sales taxes legally restricted to pay for the construction of a new courthouse. Which fund should account for the receipt of the sales taxes?

- A. Special revenue fund
- B. Capital projects fund
- C. Private-purpose trust fund
- D. General fund

90. A city government collects local option sales taxes legally restricted to pay for the hiring of teachers for hearing impaired school children. Which fund should account for the receipt of the sales taxes?

- A. Special revenue fund
- B. Capital projects fund
- C. Private-purpose trust fund
- D. General fund

91. A city government makes its semiannual payment of interest on revenue bonds issued to pay for the construction of additional subway stations. Which fund would account for the payment?

- A. Debt service fund
- B. Capital projects fund
- C. Enterprise fund
- D. Internal service fund

92. A city government sells police cars no longer in use. No restrictions have been placed on the proceeds. Which fund should account for the receipt?

- A. Debt service fund
- B. Capital projects fund
- C. Enterprise fund
- D. General fund

93. Under GASB Statement 34, accrual accounting is used for:

- A. government-wide financial statements only.
- B. government-wide financial statements and proprietary fund financial statements only.
- C. government-wide, proprietary fund, and fiduciary fund financial statements only.
- D. government-wide and all fund financial statements.

94. Under GASB Statement 34, modified accrual accounting would be found in the:

- A. government-wide financial statements only.
- B. governmental fund financial statements only.
- C. governmental and fiduciary fund financial statements only.
- D. governmental, proprietary, and fiduciary fund financial statements but not in the government-wide financial statements.

95. Which of the following is **not** a fiduciary fund type?

- A. Agency.
- B. Expendable trust.
- C. Private-purpose trust.
- D. Investment trust.

96. Level "A" GAAP for Cook County Hospital, a public hospital, would be established by the:

- A. Governmental Accounting Standards Board.
- B. Financial Accounting Standards Board.
- C. Hospital Financial Management Association.
- D. American Institute of Certified Public Accountants.

97. Which of the following is true regarding fund classifications?

- A. Governmental funds include the General, special revenue, debt service, capital projects, and permanent.
- B. Proprietary funds include enterprise, internal service, and private-purpose.
- C. Both of the above.
- D. None of the above.

98. Notre Dame University, a private institution, has level "A" GAAP established by the:

- A. American Institute of Certified Public Accountants.
- B. Governmental Accounting Standards Board.
- C. Financial Accounting Standards Board.
- D. National Association of College and University Business Officers.

99. Long-term debt paid from proprietary funds is reported as a liability in

- A. the proprietary fund Statement of Net Assets.
- B. the government-wide Statement of Net Assets.
- C. both A and B.
- D. neither A nor B.

100. Which of the following are the governmental funds?

- A. General, special revenue, debt service, capital projects, permanent.
- B. General, special revenue, debt service, capital projects, private purpose.
- C. General, special revenue, debt service, capital projects, internal service.
- D. None of the above.

101. Which of the following is an objective of federal financial reporting?

- A. Budgetary Integrity
- B. Operating Performance
- C. Stewardship
- D. All of the above

102. Which of the following funds is considered a Fiduciary Fund?

- A. Debt Service Fund
- B. Enterprise Fund
- C. Internal Service Fund
- D. Agency Fund

103. Which of the following are included in the GASB standards budgetary principle?

- A. Accounting systems should provide the basis for appropriate budgetary control.
- B. Annual budgets should be adopted by every governmental unit.
- C. Budgetary comparisons should be included in the appropriate financial statements.
- D. All of the above

104. Which of the following statement(s) are **not** included in the proprietary funds?

- A. Statement of Revenues, Expenses, and Changes in Net Assets
- B. Statement of Cash Flows
- C. Balance Sheet
- D. All of the above are included

105. Capitalized fixed assets are reported in which financial statement?

- A. Agency fund
- B. Proprietary fund
- C. Governmental fund
- D. All of the above

106. Which of the following fund types uses modified accrual accounting?

- A. Debt Service
- B. Internal Service
- C. Investment Trust
- D. Enterprise

107. Which of the following fund types does **not** use modified accrual accounting?

- A. Debt Service
- B. Special Revenue
- C. Agency
- D. Permanent

108. A permanent fund classified under governmental funds:

- A. Accounts for most of the basic services provided by the governmental unit.
- B. Accounts for financial resources intended for major capital projects.
- C. Accounts for services provided by one department of a government to another.
- D. Accounts for resources that are legally restricted so only earnings, not principal, may be expended, and for purposes to benefit the government and its citizenry.

109. Which of the following funds is not a Fiduciary Fund?

- A. Private Purpose Trust Fund
- B. Special Revenue Fund
- C. Pension Fund
- D. Investment Trust Fund

110. The _____ sets the accounting and financial reporting standards for both state and local governments and public not-for-profits.

- A. FASAB
- B. FASB
- C. GASB
- D. AICPA

111. The _____ is the government's official annual report prepared and published as a matter of public record.

- A. comprehensive annual financial report
- B. governmental annual financial report
- C. independent auditor's report
- D. complete audited financial report

112. State and local governmental funds are organized into three categories including:

- A. governmental, proprietary, and restricted
- B. proprietary, fiduciary, and restricted
- C. governmental, fiduciary, and restricted
- D. governmental, proprietary, and fiduciary

113. The _____ Fund accounts for all resources other than those required to be accounted for in other funds.

- A. Special Revenue
- B. General
- C. Enterprise
- D. Agency

114. The _____ Fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purpose other than debt service or capital projects.

- A. Special Revenue
- B. General
- C. Enterprise
- D. Agency

115. The _____ Funds are used when resources are provided primarily through the use of sales and service charges to parties external to the government.

- A. Special Revenue
- B. General
- C. Enterprise
- D. Agency

116. The _____ Funds are used to account for situations in which the government is acting as a collecting/disbursing agent.

- A. Special Revenue
- B. General
- C. Enterprise
- D. Agency

117. What basis of accounting would the Enterprise Fund use?

- A. Accrual
- B. Modified Accrual
- C. Cash
- D. Expended Accrual

118. What are Enterprise funds used for?

- A. To account for pension and employee benefit funds for which the governmental unit is the trustee.
- B. To report resources that are legally restricted so only earnings, not principal, may be expended, and for purposes to benefit the government and its citizenry.
- C. To account for most of the basic services provided by the governmental units.
- D. To account for resources provided primarily through the use of sales and service charges to parties external to the government.

119. Which of the following is **not** an environmental difference between governments and for-profit business enterprises?

- A. Organizational purposes.
- B. Sources of revenue.
- C. Role of the budget.
- D. Donor restrictions.

120. Which of the following is an environmental difference between governments and for-profit business enterprises?

- A. Relationship with stakeholders
- B. Donor restricted assets
- C. Fiduciary responsibilities
- D. Private inurement of residual earnings

121. A government may have _____ General Fund(s) in a given year.

- A. As many as needed
- B. Only one
- C. The number will vary depending on the needs of the government.
- D. None of the above.

122. The Financial Accounting Standards Board (FASB) is the standard setting organization for which of the following reporting organizations?

- A. Private not-for-profits
- B. Public not-for-profits
- C. Investor owned businesses
- D. A and C are both correct.

123. The fund statements for governmental funds are presented using the

- A. Economic Resources Measurement focus and the Accrual Basis of Accounting
- B. Current Financial Resources Measurement focus and the Modified Accrual Basis of Accounting
- C. Current Financial Resources Measurement focus and the Accrual Basis of accounting
- D. Economic Resources Measurement focus and the Modified Accrual Basis of Accounting

124. What type of fund is used when resources are provided mainly through business like transactions to parties external to the government?

- A. Internal Service Funds
- B. Capital Projects Funds
- C. Agency Funds
- D. Enterprise Funds

125. Why did governmental accounting practices develop with a focus on the sources and uses of expendable funds rather than on net income?

- A. The government wants to keep the earnings discrete
- B. Net income is solely for private organizations
- C. Tax and other non exchange revenues are not equivalent to sales
- D. Net income is solely for public organizations

126. Financial reports for state and local governments are used for all the following EXCEPT?

- A. Assess financial condition and results of operations
- B. Measuring the effectiveness of government services such as police and fire protection
- C. Compare actual results with the legally adopted budget
- D. Assist in determining compliance with finance-related laws and regulations

127. What is the significance of a budget to a government?

- A. Used primarily as a planning resource
- B. Budgets are not used by governments
- C. Budgets carry the full authority of the law
- D. None of the above

128. Which of the following funds is used to account for the payment of principal and interest of general long term debt of a government?

- A. General Fund
- B. Debt Service Fund
- C. Agency Fund
- D. Capital Projects Fund

129. The GASB is under the oversight of:

- A. GAO.
- B. FASAB.
- C. FAF.
- D. FASB.

130. Which of the following is **not** of the information needs of users of non-business financial statements according to FASB's Statement of Financial Accounting Concepts No. 4?

- A. Providing information that is useful to recipients of services provided by the non-business organizations.
- B. Providing information that is useful to present and potential resource providers in assessing the services that a non-business organization provides and its ability to continue to provide those services.
- C. Providing information that is useful to present and potential resource providers in assessing management's stewardship and performance.
- D. Providing information that is useful to present and potential resource providers in evaluating an organization's economic resource, obligations and effects of changes in net resources.

131. Which of the following is not one of the information needs of users of non-business financial statements according to FASB's Statement of Financial Accounting Concepts No. 4?

- A. Providing information that is useful to present and potential resource providers in making decisions about the allocation of resources.
- B. Providing information that is useful to present and potential resource providers in assessing the services that a non-business organization provides and its ability to continue to provide those services.
- C. Providing information that is useful to present and potential resource providers in assessing management's stewardship and performance.
- D. Providing information that is useful to present and potential resource providers in evaluating an organization's service efforts and accomplishments.

132. What are the five environmental factors relating to how governments are different from commercial businesses as described by GASB in a white paper published entitled: *Why Governmental Accounting and Financial Reporting Is - and Should Be - Different*:

133. Contrast revenue recognition under the accrual and modified accrual bases of accounting.

134. Identify the accounting standard setting bodies for U.S. commercial, private not-for-profits, public not-for-profits, state and local governments, and the federal government.

135. Contrast the economic resources measurement focus and the current financial resources measurement focus with regard to the accounting treatment of capital assets.

136. Identify the three basic fund categories, the funds that make up each of them, and the category's basis of accounting.

137. Contrast the economic resources measurement focus and the current financial resources measurement focus with regard to the accounting treatment of long-term debt.

138. Which organizations have established a hierarchy of GAAP for financial statements preparers? List one category A and one category B item for each organization.

139. Name three of the six Statements of Federal Financial Accounting concepts (SFFAC's) issued by the FASAB:

140. What are the four objectives that should be followed with respect to federal financial reporting according to SFFAC #1 as issued by the FASAB?

141. In its Statement of Financial Accounting Concepts #4, the FASB identifies the information needs of the users of non-business financial statements. These include providing information that is useful to present and potential resource providers in which four evaluation areas?

142. Provide the definition of the following terms as outlined by GASB Concepts Statement No. 4, Elements of Financial Statements:

Assets

Liabilities

Net position

Inflows of resources

Outflows of resources

143. What are the fund-basis financial statements for each of the following fund categories?

Fiduciary

Proprietary

Governmental

144. List and define the five classifications of governmental funds.

145. What are the definitions of the following elements as outlined by GASB Concepts Statement No. 4, Elements of Financial Statements?

Assets

Liabilities

Net Position

Inflows of resources

Outflows of resources

c1 Key

1. FASAB, GASB and FASB standards are set forth primarily in documents called interpretations.

FALSE

Copley - Chapter 01 #1

2. FASAB, GASB and FASB standards are set forth primarily in documents called statements.

TRUE

Copley - Chapter 01 #2

3. The FASAB was established to recommend accounting and financial reporting standards for governmental and commercial enterprises.

FALSE

Copley - Chapter 01 #3

4. The GASB requires supplementary information to be reported with its financial statements if it is essential to establish appropriate context for the financial statements and notes.

TRUE

Copley - Chapter 01 #4

5. The Governmental Accounting Standards Board sets financial reporting standards for all units of government: federal, state, and local.

FALSE

Copley - Chapter 01 #5

6. Fund accounting exists primarily to provide assurance that resources are used according to legal or donor restrictions.

TRUE

Copley - Chapter 01 #6

7. The Financial Accounting Standards Board sets financial reporting standards for private sector organizations, except nongovernmental, not-for-profit organizations.

FALSE

Copley - Chapter 01 #7

8. The Financial Accounting Standards Board sets financial reporting standards for private not-for-profits and investor-owned businesses.

TRUE

Copley - Chapter 01 #8

9. The Federal Accounting Standards Advisory Board and the Governmental Accounting Standards Board are parallel bodies under the oversight of the Financial Accounting Foundation.

FALSE

Copley - Chapter 01 #9

10. An organization is presumed to be governmental if it has the ability to issue directly debt that is exempt from federal taxes.

TRUE

Copley - Chapter 01 #10

11. The Federal Accounting Standards Advisory Board requires less extensive reports than does the FASB or GASB.

FALSE

Copley - Chapter 01 #11

12. The FASAB requires more financial statements than are typically required of state and local governments.

TRUE

Copley - Chapter 01 #12

13. One objective of the Governmental Accounting Standards Board is to help users determine compliance with finance-related laws, rules, and regulations.

TRUE

Copley - Chapter 01 #13

14. All Governments must have as many funds as necessary to fulfill legal requirements and sound financial administration but must have at a minimum a General Fund.

TRUE

Copley - Chapter 01 #14

15. The Governmental Accounting Standards Board considers the financial reporting entity to include the primary government and its component units.

TRUE

Copley - Chapter 01 #15

16. A Management's Discussion and Analysis is required for state and local governmental units, but **not** the federal government.

FALSE

Copley - Chapter 01 #16

17. The GASB Concept Statement on Service Efforts and Accomplishments Reporting encourages state and local governments to include inputs of nonmonetary resources in their financial reporting.

TRUE

Copley - Chapter 01 #17

18. The GASB Concept Statement on Service Efforts and Accomplishments Reporting requires state and local governments to include inputs of nonmonetary resources in their financial reporting.

FALSE

Copley - Chapter 01 #18

19. Although certain supplementary information may not be required, if presented, it must follow GASB guidance regarding its format and content.

TRUE

Copley - Chapter 01 #19

20. The format and content of supplementary information which is **not** required by GASB is up to the discretion of the reporting entity.

FALSE

Copley - Chapter 01 #20

21. GASB and FASB Concept Statements establish accounting standards that must be complied with to receive an unqualified audit opinion.

FALSE

Copley - Chapter 01 #21

22. FASAB, GASB and FASB standards are set forth primarily in documents called statements.

TRUE

Copley - Chapter 01 #22

23. Fund-basis statements are presented for three categories of government activities: general, proprietary, and fiduciary.

FALSE

Copley - Chapter 01 #23

24. State and local governments may use eleven different fund types.

TRUE

Copley - Chapter 01 #24

25. Common measurement focus and basis of measurement is an important feature of government-wide financial statements.

TRUE

Copley - Chapter 01 #25

26. Governmental activities fund statements must be changed to the accrual basis from the modified accrual basis when preparing government-wide financial statements.

TRUE

Copley - Chapter 01 #26

27. Governmental activities fund statements may use modified accrual basis when preparing government-wide financial statements.

FALSE

Copley - Chapter 01 #27

28. All funds of a governmental unit use the current financial resources measurement focus and modified accrual basis of accounting.

FALSE

Copley - Chapter 01 #28

29. The government-wide statements and the fund statements for proprietary funds and fiduciary funds use the economic resources measurement focus and the accrual basis of accounting.

TRUE

Copley - Chapter 01 #29

30. Under modified accrual accounting, revenues are recognized when measurable and available to finance expenditures of the current period.

TRUE

Copley - Chapter 01 #30

31. General fixed assets of the government are reported both in the government-wide financial statements and the governmental fund financial statements.

FALSE

Copley - Chapter 01 #31

32. Comparison of the legally approved budget with actual results of the General Fund is included as part of required supplementary information in the CAFR.

TRUE

Copley - Chapter 01 #32

33. Comparison of the legally approved budget with actual results of the General Fund is **not** part of required supplementary information in the CAFR.

FALSE

Copley - Chapter 01 #33

34. Long-term debt that is to be paid with tax revenues is reported both in the government-wide statements and in the governmental fund statements.

FALSE

Copley - Chapter 01 #34

35. Measurement focus refers to those items, such as current and long-term assets, that are being reported on the financial statements.

TRUE

Copley - Chapter 01 #35

36. Infrastructure may or may **not** be capitalized by state and local governmental units.

FALSE

Copley - Chapter 01 #36

37. Fiduciary funds include agency, pension trust, investment trust, and private-purpose trust.

TRUE

Copley - Chapter 01 #37

38. The Financial Accounting Standards Board has authority to establish accounting and financial reporting standards for both private and state universities.

FALSE

Copley - Chapter 01 #38

39. FASB sets the reporting standards for private and public not-for profits.

FALSE

Copley - Chapter 01 #39

40. Internal Service funds are treated as governmental activities in the government-wide statements if the only "buyers" are departments within the General Fund.

TRUE

Copley - Chapter 01 #40

41. Permanent funds can be either a governmental fund or a fiduciary fund where only income on donated assets may be spent.

FALSE

Copley - Chapter 01 #41

42. Depreciation on capital assets is included as an expense in the Statement of Activities in the government-wide financial statements.

TRUE

Copley - Chapter 01 #42

43. Depreciation on capital assets is included as an expense in the Statement of Revenues, Expenses, and Changes in Fund Net Assets in the proprietary fund financial statements.

TRUE

Copley - Chapter 01 #43

44. Depreciation on capital assets is **not** included as an expense in the Statement of Revenues, Expenses, and Changes in Fund Net Assets in the proprietary fund financial statements

FALSE

Copley - Chapter 01 #44

45. According to GASB standards relating to Budgetary Accounting, an annual budget should be adopted by every governmental unit.

TRUE

Copley - Chapter 01 #45

46. According to GASB standards relating to Budgetary Accounting, budgetary comparisons should be included in the appropriate financial statements or schedules for governmental funds for which an annual budget has been adopted.

TRUE

Copley - Chapter 01 #46

47. According to GASB standards relating to Budgetary Accounting, budgetary comparisons should **not** be included in the appropriate financial statements or schedules for governmental funds for which an annual budget has been adopted.

FALSE

Copley - Chapter 01 #47

48. According to GASB standards relating to Budgetary Accounting, the accounting system should provide the basis for appropriate budgetary control.

TRUE

Copley - Chapter 01 #48

49. According to GASB standards relating to Budgetary Accounting, the budget, when adopted according to procedures specified by state laws, is binding upon the administrators of a governmental unit.

TRUE

Copley - Chapter 01 #49

50. A fund represents part of the activities of an organization which is separated from other activities in the accounting records to more easily demonstrate compliance with legal restrictions or limitations.

TRUE

Copley - Chapter 01 #50

51. The GASB recently published a white paper outlining prohibited transactions for not-for-profit organizations.

FALSE

Copley - Chapter 01 #51

52. The GASB recently published a white paper which identifies five environmental differences between governments and for-profit enterprises.

TRUE

Copley - Chapter 01 #52

53. The GASB sets accounting standards for all of the following except:

- A. State and local governments
- B. Libraries owned or controlled by governments
- C. Governmentally related not-for-profit universities
- D.** Nongovernmental not-for-profit hospital

Copley - Chapter 01 #53

54. A government may have multiple funds for each of the following fund types **except**:

- A. Permanent
- B. General**
- C. Special revenue
- D. Capital projects

Copley - Chapter 01 #54

55. Which of the following is a fiduciary fund?

- A. Internal service
- B. Permanent
- C. Enterprise
- D. Investment trust**

Copley - Chapter 01 #55

56. Which of the following is **not** a fiduciary fund?

- A. Agency
- B. Pension trust
- C. Enterprise**
- D. Private-purpose trust

Copley - Chapter 01 #56

57. Which of the following is a governmental fund?

- A. Special revenue**
- B. Enterprise
- C. Agency
- D. Internal service

Copley - Chapter 01 #57

58. Which of the following is **not** one of the objectives of Federal Financial Reporting, as outlined in SAFAC 1, which was issued by the FASAB?

- A. Financial reporting should enable evaluation of the service efforts, costs and accomplishments of the reporting entity.
- B.** Financial reporting should enable evaluation of the success rate of programs.
- C. Financial reporting should reveal whether financial systems and controls are adequate.
- D. Financial reporting should demonstrate accountability regarding raising and expending money according to budgetary process and laws and regulations.

Copley - Chapter 01 #58

59. The FASAB has the authority to establish accounting and financial reporting standards for:

- A.** Federal government
- B. Investor owned business
- C. State and local governments
- D. Public not-for-profits

Copley - Chapter 01 #59

60. The FASB has the authority to establish accounting and financial reporting standards for:

- A. Federal government
- B.** Private not-for-profits
- C. Public not-for-profits
- D. State and local governments

Copley - Chapter 01 #60

61. The GASB has the authority to establish accounting and financial reporting standards for:

- A. Federal government
- B. Private not-for-profits
- C.** State and local governments
- D. None of the above

Copley - Chapter 01 #61

62. In order for a fund to exist, there must be:

- A. A fiscal entity; assets set aside for a specific purpose
- B. A double-entry accounting entity
- C.** Both A & B are required
- D. A & B are optional and not required

Copley - Chapter 01 #62

63. Which fund category must change from modified accrual to accrual basis when preparing government-wide financial statements?

- A.** Governmental
- B. Proprietary
- C. Fiduciary
- D. B & C only

Copley - Chapter 01 #63

64. Which of the following use current financial resources measurement focus?

- A. Fiduciary fund statements
- B.** Governmental fund statements
- C. Proprietary fund statements
- D. Enterprise fund statements

Copley - Chapter 01 #64

65. What is the minimum number of funds to be used by a governmental unit?

- A. One; the General Fund
- B. Two; the General Fund and one permanent fund
- C. As many as necessary to fulfill legal requirements and sound financial administration
- D.** A & C

Copley - Chapter 01 #65

66. Which of the following would **not** be included in FASB Statement of Financial Accounting Concepts #4, which identifies the information needs of the users of non-business financial statements?

- A.** Format and content of financial statements
- B. Assessing services provided by a non-business organization and its ability to continue to provide those services
- C. Assessing managements' stewardship and performance
- D. Evaluation of an organization's resources, obligations and effects of changes in net resources

Copley - Chapter 01 #66

67. GASB standards contain all of the following in its three-part budgetary principle except:

- A. An annual budget should be adopted by every governmental unit.
- B. The accounting system should provide the basis for appropriate budgetary control.
- C. Budgetary comparisons should be included in the appropriate financial statement and schedules for governmental funds for which an annual budget has been adopted.
- D.** None of the above; all would be included

Copley - Chapter 01 #67

68. The Governmental Accounting Standards Board has been given authority to establish accounting and financial reporting standards for:

- A. all governmental units and agencies.
- B. federal, state, and local governments.
- C. all governmental units and all not-for-profit organizations.
- D.** state and local governmental entities, and governmentally-owned utilities, authorities, hospitals, and colleges and universities.

Copley - Chapter 01 #68

69. Which of the following characteristics would **not** define an organization as governmental?

- A. The power to enact and enforce a tax levy.
- B. The potential for unilateral dissolution by a government with the net assets reverting to a government.
- C.** The receipt of grant money from a state or local government for the purpose of providing services to the public.
- D. All of the above.

Copley - Chapter 01 #69

70. Which of the following characteristics would define an organization as governmental?

- A. The power to enact and enforce a tax levy.
- B. The potential for unilateral dissolution by a government with the net assets reverting to a government.
- C. The receipt of grant money from a state or local government for the purpose of providing services to the public.
- D.** Both A and B

Copley - Chapter 01 #70

71. Level "A" GAAP for The University of Virginia, a public institution, would be established by the:

- A. Financial Accounting Standards Board.
- B.** Governmental Accounting Standards Board.
- C. American Institute of Certified Public Accountants.
- D. National Association of College and University Business Officers.

Copley - Chapter 01 #71

72. Under the modified accrual basis of accounting, revenues should be recognized when they are:

- A. authorized by the budget ordinance.
- B. earned and measurable.
- C.** measurable and available to finance expenditures of the current period.
- D. realized through collection.

Copley - Chapter 01 #72

73. Fiduciary funds are to use the:

- A.** economic resources measurement focus and accrual basis of accounting.
- B. current financial resources measurement focus and accrual basis of accounting.
- C. economic resources measurement focus and modified accrual basis of accounting.
- D. none of the above, the fiduciary funds have no revenues.

Copley - Chapter 01 #73

74. Proprietary funds use the:

- A. economic resources measurement focus and modified accrual basis of accounting.
- B. current financial resources measurement focus and modified accrual basis of accounting.
- C.** economic resources measurement focus and accrual basis of accounting.
- D. current financial resources measurement focus and accrual basis of accounting.

Copley - Chapter 01 #74

75. Governmental funds are to use the:

- A. economic resources measurement focus and accrual basis of accounting.
- B. current financial resources measurement focus and accrual basis of accounting.
- C. economic resources measurement focus and modified accrual basis of accounting.
- D.** current financial resources measurement focus and modified accrual basis of accounting.

Copley - Chapter 01 #75

76. Government-wide statements use the:

- A. current financial resources measurement focus and accrual basis of accounting.
- B.** economic resources measurement focus and accrual basis of accounting.
- C. economic resources measurement focus and modified accrual basis of accounting.
- D. none of the above, the fiduciary funds have no revenues.

Copley - Chapter 01 #76

77. Governmental funds do **not** include:

- A. Special revenue funds
- B.** Internal service funds
- C. Debt service funds
- D. The General fund

Copley - Chapter 01 #77

78. Governmental funds include:

- A. Special revenue funds
- B. Internal service funds
- C. Debt service funds
- D.** A and C

Copley - Chapter 01 #78

79. The "Hierarchy of GAAP" is established by the:

- A. Financial Accounting Standards Board.
- B. Federal Accounting Standards Advisory Board.
- C. Governmental Accounting Standards Board.
- D.** All of the above have established a hierarchy.

Copley - Chapter 01 #79

80. The term "proprietary funds" applies to:
- A. enterprise funds only.
 - B. all funds that use accrual accounting.
 - C. enterprise, internal service, and private-purpose trust funds.
 - D.** none of the above answers are correct.

Copley - Chapter 01 #80

81. The term "proprietary funds" applies to:
- A.** enterprise and internal service funds.
 - B. pension, investment trust and enterprise funds.
 - C. enterprise, internal service, and private-purpose trust funds.
 - D. none of the above answers are correct.

Copley - Chapter 01 #81

82. Which of the following organizations has authority to establish accounting and financial reporting standards for the federal government?
- A.** Federal Accounting Standards Advisory Board.
 - B. Office of Management and Budget.
 - C. Governmental Accounting Standards Board.
 - D. None of the above; no one has been granted authority to set standards for the federal government

Copley - Chapter 01 #82

83. Which of the following is most correct with regard to Management's Discussion and Analysis (MD&A)?
- A. State and local governments are required to provide an MD&A.
 - B. Federal agency financial reports are required to provide an MD&A.
 - C. Both state and local governments and federal agencies are encouraged, but not required to provide an MD&A.
 - D.** Both state and local governments and federal agencies are required to provide an MD&A.

Copley - Chapter 01 #83

84. Which of the following is **not** true regarding GASB Concepts Statement No. 2, *Service Efforts and Accomplishments Reporting*:

- A. It encourages governments to experiment with reporting more complete information about an entity's performance than can be displayed in the traditional financial statements.
- B. It outlines categories of information that might be reported.
- C.** It prescribes detailed standards governing the reporting of service efforts and accomplishments reporting.
- D. None of the above, all are true.

Copley - Chapter 01 #84

85. GASB Concepts Statement No. 3, *Communication Methods in General Purpose External Financial Reports that Contain Basic Financial Statements*, states that

- A. notes to the financial statements may include management's objective explanations.
- B. required supplementary information must be objective and may not include predictions or subjective assessments.
- C. disclosure in the notes is not an adequate substitute for recognition in the financial statements.
- D.** All of the above are correct.

Copley - Chapter 01 #85

86. Under GASB Statement 34, capital assets:

- A. must be reported in government-wide statements but are not reported in any of the fund financial statements.
- B.** must be reported in government-wide statements and in proprietary fund financial statements.
- C. are **not** to be reported in either government-wide or fund financial statements.
- D. are to be reported but **not** depreciated in government-wide and fund financial statements.

Copley - Chapter 01 #86

87. Long-term debt of a governmental unit would be reported in the:

- A.** government-wide financial statements and proprietary fund financial statements.
- B. government-wide financial statements only.
- C. debt service funds of governmental fund financial statements and government-wide financial statements.
- D. notes to the financial statements only.

Copley - Chapter 01 #87

88. In order for a fund to exist, there must be

- A. assets set aside for specific purposes.
- B. a separate revenue stream.
- C. a double-entry accounting entity.
- D.** A and C are correct.

Copley - Chapter 01 #88

89. A city government collects local option sales taxes legally restricted to pay for the construction of a new courthouse. Which fund should account for the receipt of the sales taxes?

- A. Special revenue fund
- B.** Capital projects fund
- C. Private-purpose trust fund
- D. General fund

Copley - Chapter 01 #89

90. A city government collects local option sales taxes legally restricted to pay for the hiring of teachers for hearing impaired school children. Which fund should account for the receipt of the sales taxes?

- A.** Special revenue fund
- B. Capital projects fund
- C. Private-purpose trust fund
- D. General fund

Copley - Chapter 01 #90

91. A city government makes its semiannual payment of interest on revenue bonds issued to pay for the construction of additional subway stations. Which fund would account for the payment?

- A. Debt service fund
- B. Capital projects fund
- C.** Enterprise fund
- D. Internal service fund

Copley - Chapter 01 #91

92. A city government sells police cars no longer in use. No restrictions have been placed on the proceeds. Which fund should account for the receipt?

- A. Debt service fund
- B. Capital projects fund
- C. Enterprise fund
- D.** General fund

Copley - Chapter 01 #92

93. Under GASB Statement 34, accrual accounting is used for:

- A. government-wide financial statements only.
- B. government-wide financial statements and proprietary fund financial statements only.
- C.** government-wide, proprietary fund, and fiduciary fund financial statements only.
- D. government-wide and all fund financial statements.

Copley - Chapter 01 #93

94. Under GASB Statement 34, modified accrual accounting would be found in the:

- A. government-wide financial statements only.
- B.** governmental fund financial statements only.
- C. governmental and fiduciary fund financial statements only.
- D. governmental, proprietary, and fiduciary fund financial statements but not in the government-wide financial statements.

Copley - Chapter 01 #94

95. Which of the following is **not** a fiduciary fund type?

- A. Agency.
- B.** Expendable trust.
- C. Private-purpose trust.
- D. Investment trust.

Copley - Chapter 01 #95

96. Level "A" GAAP for Cook County Hospital, a public hospital, would be established by the:

- A.** Governmental Accounting Standards Board.
- B. Financial Accounting Standards Board.
- C. Hospital Financial Management Association.
- D. American Institute of Certified Public Accountants.

Copley - Chapter 01 #96

97. Which of the following is true regarding fund classifications?

- A. Governmental funds include the General, special revenue, debt service, capital projects, and permanent.
- B. Proprietary funds include enterprise, internal service, and private-purpose.
- C. Both of the above.
- D. None of the above.

Copley - Chapter 01 #97

98. Notre Dame University, a private institution, has level "A" GAAP established by the:

- A. American Institute of Certified Public Accountants.
- B. Governmental Accounting Standards Board.
- C. Financial Accounting Standards Board.
- D. National Association of College and University Business Officers.

Copley - Chapter 01 #98

99. Long-term debt paid from proprietary funds is reported as a liability in

- A. the proprietary fund Statement of Net Assets.
- B. the government-wide Statement of Net Assets.
- C. both A and B.
- D. neither A nor B.

Copley - Chapter 01 #99

100. Which of the following are the governmental funds?

- A. General, special revenue, debt service, capital projects, permanent.
- B. General, special revenue, debt service, capital projects, private purpose.
- C. General, special revenue, debt service, capital projects, internal service.
- D. None of the above.

Copley - Chapter 01 #100

101. Which of the following is an objective of federal financial reporting?

- A. Budgetary Integrity
- B. Operating Performance
- C. Stewardship
- D. All of the above

Copley - Chapter 01 #101

102. Which of the following funds is considered a Fiduciary Fund?

- A. Debt Service Fund
- B. Enterprise Fund
- C. Internal Service Fund
- D.** Agency Fund

Copley - Chapter 01 #102

103. Which of the following are included in the GASB standards budgetary principle?

- A. Accounting systems should provide the basis for appropriate budgetary control.
- B. Annual budgets should be adopted by every governmental unit.
- C. Budgetary comparisons should be included in the appropriate financial statements.
- D.** All of the above

Copley - Chapter 01 #103

104. Which of the following statement(s) are **not** included in the proprietary funds?

- A. Statement of Revenues, Expenses, and Changes in Net Assets
- B. Statement of Cash Flows
- C.** Balance Sheet
- D. All of the above are included

Copley - Chapter 01 #104

105. Capitalized fixed assets are reported in which financial statement?

- A. Agency fund
- B.** Proprietary fund
- C. Governmental fund
- D. All of the above

Copley - Chapter 01 #105

106. Which of the following fund types uses modified accrual accounting?

- A.** Debt Service
- B. Internal Service
- C. Investment Trust
- D. Enterprise

Copley - Chapter 01 #106

107. Which of the following fund types does **not** use modified accrual accounting?

- A. Debt Service
- B. Special Revenue
- C.** Agency
- D. Permanent

Copley - Chapter 01 #107

108. A permanent fund classified under governmental funds:

- A. Accounts for most of the basic services provided by the governmental unit.
- B. Accounts for financial resources intended for major capital projects.
- C. Accounts for services provided by one department of a government to another.
- D.** Accounts for resources that are legally restricted so only earnings, not principal, may be expended, and for purposes to benefit the government and its citizenry.

Copley - Chapter 01 #108

109. Which of the following funds is not a Fiduciary Fund?

- A. Private Purpose Trust Fund
- B.** Special Revenue Fund
- C. Pension Fund
- D. Investment Trust Fund

Copley - Chapter 01 #109

110. The _____ sets the accounting and financial reporting standards for both state and local governments and public not-for-profits.

- A. FASAB
- B. FASB
- C.** GASB
- D. AICPA

Copley - Chapter 01 #110

111. The _____ is the government's official annual report prepared and published as a matter of public record.

- A.** comprehensive annual financial report
- B. governmental annual financial report
- C. independent auditor's report
- D. complete audited financial report

Copley - Chapter 01 #111

112. State and local governmental funds are organized into three categories including:

- A. governmental, proprietary, and restricted
- B. proprietary, fiduciary, and restricted
- C. governmental, fiduciary, and restricted
- D.** governmental, proprietary, and fiduciary

Copley - Chapter 01 #112

113. The _____ Fund accounts for all resources other than those required to be accounted for in other funds.

- A. Special Revenue
- B.** General
- C. Enterprise
- D. Agency

Copley - Chapter 01 #113

114. The _____ Fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purpose other than debt service or capital projects.

- A.** Special Revenue
- B. General
- C. Enterprise
- D. Agency

Copley - Chapter 01 #114

115. The _____ Funds are used when resources are provided primarily through the use of sales and service charges to parties external to the government.

- A. Special Revenue
- B. General
- C.** Enterprise
- D. Agency

Copley - Chapter 01 #115

116. The _____ Funds are used to account for situations in which the government is acting as a collecting/disbursing agent.

- A. Special Revenue
- B. General
- C. Enterprise
- D.** Agency

Copley - Chapter 01 #116

117. What basis of accounting would the Enterprise Fund use?

- A.** Accrual
- B. Modified Accrual
- C. Cash
- D. Expended Accrual

Copley - Chapter 01 #117

118. What are Enterprise funds used for?

- A. To account for pension and employee benefit funds for which the governmental unit is the trustee.
- B. To report resources that are legally restricted so only earnings, not principal, may be expended, and for purposes to benefit the government and its citizenry.
- C. To account for most of the basic services provided by the governmental units.
- D.** To account for resources provided primarily through the use of sales and service charges to parties external to the government.

Copley - Chapter 01 #118

119. Which of the following is **not** an environmental difference between governments and for-profit business enterprises?

- A. Organizational purposes.
- B. Sources of revenue.
- C. Role of the budget.
- D.** Donor restrictions.

Copley - Chapter 01 #119

120. Which of the following is an environmental difference between governments and for-profit business enterprises?

- A.** Relationship with stakeholders
- B. Donor restricted assets
- C. Fiduciary responsibilities
- D. Private inurement of residual earnings

Copley - Chapter 01 #120

121. A government may have _____ General Fund(s) in a given year.

- A. As many as needed
- B.** Only one
- C. The number will vary depending on the needs of the government.
- D. None of the above.

Copley - Chapter 01 #121

122. The Financial Accounting Standards Board (FASB) is the standard setting organization for which of the following reporting organizations?

- A. Private not-for-profits
- B. Public not-for-profits
- C. Investor owned businesses
- D.** A and C are both correct.

Copley - Chapter 01 #122

123. The fund statements for governmental funds are presented using the

- A. Economic Resources Measurement focus and the Accrual Basis of Accounting
- B. Current Financial Resources Measurement focus and the Modified Accrual Basis of Accounting**
- C. Current Financial Resources Measurement focus and the Accrual Basis of accounting
- D. Economic Resources Measurement focus and the Modified Accrual Basis of Accounting

Copley - Chapter 01 #123

124. What type of fund is used when resources are provided mainly through business like transactions to parties external to the government?

- A. Internal Service Funds
- B. Capital Projects Funds
- C. Agency Funds
- D. Enterprise Funds**

Copley - Chapter 01 #124

125. Why did governmental accounting practices develop with a focus on the sources and uses of expendable funds rather than on net income?

- A. The government wants to keep the earnings discrete
- B. Net income is solely for private organizations
- C. Tax and other non exchange revenues are not equivalent to sales**
- D. Net income is solely for public organizations

Copley - Chapter 01 #125

126. Financial reports for state and local governments are used for all the following EXCEPT?

- A. Assess financial condition and results of operations
- B. Measuring the effectiveness of government services such as police and fire protection**
- C. Compare actual results with the legally adopted budget
- D. Assist in determining compliance with finance-related laws and regulations

Copley - Chapter 01 #126

127. What is the significance of a budget to a government?

- A. Used primarily as a planning resource
- B. Budgets are not used by governments
- C. Budgets carry the full authority of the law**
- D. None of the above

Copley - Chapter 01 #127

128. Which of the following funds is used to account for the payment of principal and interest of general long term debt of a government?

- A. General Fund
- B. Debt Service Fund**
- C. Agency Fund
- D. Capital Projects Fund

Copley - Chapter 01 #128

129. The GASB is under the oversight of:

- A. GAO.
- B. FASAB.
- C. FAF.**
- D. FASB.

Copley - Chapter 01 #129

130. Which of the following is **not** of the information needs of users of non-business financial statements according to FASB's Statement of Financial Accounting Concepts No. 4?

- A. Providing information that is useful to recipients of services provided by the non-business organizations.**
- B. Providing information that is useful to present and potential resource providers in assessing the services that a non-business organization provides and its ability to continue to provide those services.
- C. Providing information that is useful to present and potential resource providers in assessing management's stewardship and performance.
- D. Providing information that is useful to present and potential resource providers in evaluating an organization's economic resource, obligations and effects of changes in net resources.

Copley - Chapter 01 #130

131. Which of the following is not **one** of the information needs of users of non-business financial statements according to FASB's Statement of Financial Accounting Concepts No. 4?

- A. Providing information that is useful to present and potential resource providers in making decisions about the allocation of resources.
- B. Providing information that is useful to present and potential resource providers in assessing the services that a non-business organization provides and its ability to continue to provide those services.
- C. Providing information that is useful to present and potential resource providers in assessing management's stewardship and performance.
- D. Providing information that is useful to present and potential resource providers in evaluating an organization's service efforts and accomplishments.**

Copley - Chapter 01 #131

132. What are the five environmental factors relating to how governments are different from commercial businesses as described by GASB in a white paper published entitled: *Why Governmental Accounting and Financial Reporting Is - and Should Be - Different*:

The five environmental differences are:

Organizational Purpose

Governments exist for the well being of citizens by providing public services. Unlike businesses, profit is not an objective so a measure other than net income is needed. In addition, the stakeholders and the information they require are very different. Governments report information that is far more disaggregated than a commercial enterprise.

Sources of Revenue

Governments derive many of their resources from taxes. Individuals and businesses pay taxes because they are legally bound. Since there is no "product or service" being conveyed at the time of payment, it is difficult to determine when to recognize revenue.

Potential for Longevity

Governments rarely go out of business they have an accounting focus with a long term view of operations and the sustainability of services and the ability to meet future demand.

Relationship with Stakeholders

Governments have an obligation to demonstrate accountability for public funds. Fund accounting is used by governments to provide assurance that resources are used according to legal or donor restrictions.

Role of the Budget

Budgets are expressions of public policy and often carry the authority of law. Public officials must stay within their budgets. Required budget vs. actual comparisons indicate the degree of compliance in this area.

Copley - Chapter 01 #132

133. Contrast revenue recognition under the accrual and modified accrual bases of accounting.

Under modified accrual accounting, revenues should be recognized when measurable and available to finance expenditures of the current period. Under accrual accounting, revenues are recognized when earned and realizable.

Copley - Chapter 01 #133

134. Identify the accounting standard setting bodies for U.S. commercial, private not-for-profits, public not-for-profits, state and local governments, and the federal government.

Commercial enterprises: The Financial Accounting Standards Board establishes accounting principles for all commercial enterprises in the U.S.

Private Not-for-profits: The Financial Accounting Standards Board establishes accounting principles for all Private Not-for-Profits in the U.S.

Public Not-for-profits: The Governmental Accounting Standards Board establishes accounting principles for all governmentally related not-for-profit organizations in the U.S.

State and Local Governments: The Governmental Accounting Standards Board establishes accounting principles for all U.S. state and local governments.

Federal government: The Federal Accounting Standards Advisory Board establishes accounting principles for the federal government and its agencies.

Copley - Chapter 01 #134

135. Contrast the economic resources measurement focus and the current financial resources measurement focus with regard to the accounting treatment of capital assets.

Under the economic resources measurement focus, capital assets are capitalized and depreciated. Under the current financial resources measurement focus, capital assets are not capitalized or depreciated, but are charged to expenditures when received.

Copley - Chapter 01 #135

136. Identify the three basic fund categories, the funds that make up each of them, and the category's basis of accounting.

1. Governmental - Funds include permanent, debt service, capital project, special revenue, and general. The basis of accounting is modified accrual.

2. Proprietary - Funds include internal service and enterprise. The basis of accounting is accrual.

3. Fiduciary - Funds include private purpose trust, investment trust, pension trust, and agency. The basis of accounting is accrual.

Copley - Chapter 01 #136

137. Contrast the economic resources measurement focus and the current financial resources measurement focus with regard to the accounting treatment of long-term debt.

Under the economic resources measurement focus, long-term debt is recorded as a liability and payments for principal are treated as a reduction in the liability. Since long-term liabilities do not require current financial resources to settle, they are not recorded under the current financial resources measurement focus. Payments of principal are charged to expenditures.

Copley - Chapter 01 #137

138. Which organizations have established a hierarchy of GAAP for financial statements preparers? List one category A and one category B item for each organization.

FASAB Statement 162, GASB Statement 55, FASAB (exposure draft)

Category A

FASAB: FASB Statements & Interpretations

FASB Staff Positions

AICPA Accounting Research Bulletins and Accounting Principles Board Opinions not superseded by the FASB

GASB: GASB Statements and interpretations

FASAB: FASAB Statements and interpretations

AIACPA and FASB pronouncements specifically made applicable to federal governmental entities by FASAB statements and interpretations

Category B

FASAB: FASB Technical Bulletins

AICPA Industry Audit and Accounting Guides and Statements Position if cleared by the FASB

GASB: GASB Technical Bulleting

AICPA Industry Audit and Accounting Guides and Statements Position if cleared by the GASB

FASAB: FASAB Technical Bulletins

AICPA Industry Audit and Accounting Guides and Statements Position if specifically made applicable to federal governmental entities by the AICPA and cleared by the FASAB

Copley - Chapter 01 #138

139. Name three of the six Statements of Federal Financial Accounting concepts (SFFAC's) issued by the FASAB:

SFFAC #1 Objectives of financial reporting

SFFAC #2 Entities and Display

SFFAC #3 Management's Discussion and Analysis

SFFAC #4 Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government

SFFAC #5 Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements

SFFAC #6 Distinguishing Basic Information, Required Supplementary Information and Other Accompanying Information

Copley - Chapter 01 #139

140. What are the four objectives that should be followed with respect to federal financial reporting according to SFFAC #1 as issued by the FASAB?

Budgetary integrity

Financial reporting should demonstrate accountability with regard to raising and expending money in accord with the budgetary process, laws and regulations.

Operating performance

Financial reporting should enable evaluation of service efforts, costs and accomplishments.

Stewardship

Financial reporting should enable assessment of the impact on the nation of government operations and investments

Systems and controls

Financial reporting should reveal whether financial systems and controls are adequate

Copley - Chapter 01 #140

141. In its Statement of Financial Accounting Concepts #4, the FASB identifies the information needs of the users of non-business financial statements. These include providing information that is useful to present and potential resource providers in which four evaluation areas?

A) Making decisions about the allocation of resources

B) Assessing services provided by a non-business organization and its ability to continue to provide those services

C) Assessing managements' stewardship and performance

D) Evaluation of an organization's resources, obligations and effects of changes in net resources

Copley - Chapter 01 #141

142. Provide the definition of the following terms as outlined by GASB Concepts Statement No. 4, Elements of Financial Statements:

Assets

Liabilities

Net position

Inflows of resources

Outflows of resources

Assets:

Resources with present service capacity that the government presently controls.

Liabilities:

Present obligations to sacrifice resources that the government has little or no discretion to avoid

Net position:

The residual of all other elements presented in a statement of financial position

Inflows of resources:

Acquisitions of net assets by the government that are applicable to the reporting period

Outflows of resources:

Consumption of net assets by the government that are applicable to the reporting period

Copley - Chapter 01 #142

143. What are the fund-basis financial statements for each of the following fund categories?

Fiduciary

Proprietary

Governmental

Fiduciary:

Statement of Fiduciary Net Assets

Statement of Changes in Fiduciary Net Assets

Proprietary:

Statement of Net Assets

Statement of Revenue, Expenses, and Changes in Net Assets

Statement of Cash flows

Governmental:

Balance sheet

Statement of Revenues, Expenditures and Changes in Fund Balance

Copley - Chapter 01 #143

144. List and define the five classifications of governmental funds.

1. General Fund

This fund accounts for most of the basic services provided by the government. It accounts for and reports all financial resources not accounted for and reported in another fund.

2. Capital Projects Fund

This fund accounts for and reports financial resources that are committed or assigned to expenditure for capital outlays. It accounts for the purchase or construction of major capital improvements except those purchased or constructed by a proprietary or fiduciary fund

3. Debt Service Fund

This fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for specified purposes other than debt service or capital projects. Included in this category are activities funded by federal or state grants or by taxes specifically restricted to certain activities.

4. Permanent Fund

This fund accounts for and reports resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting of government programs.

5. Special Revenue Fund

This fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purpose other than debt service or capital projects.

Copley - Chapter 01 #144

145. What are the definitions of the following elements as outlined by GASB Concepts Statement No. 4, Elements of Financial Statements?

Assets

Liabilities

Net Position

Inflows of resources

Outflows of resources

Assets:

Resources with present service capacity that the government presently controls.

Liabilities:

Present obligations to sacrifice resources that the government has little or no discretion to avoid.

Net Position:

The residual of all other elements presented in a statement of financial position.

Inflows of resources:

Acquisitions of net assets by the government that are applicable to the reporting period.

Outflows of resources:

Consumption of net assets by the government that are applicable to the reporting period.

Copley - Chapter 01 #145

c1 Summary

| <u>Category</u> | <u># of Questions</u> |
|---------------------|-----------------------|
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