Sample Examination

1. Ultimate responsibility for internal control rests with:
   a) Management.
   b) The governing board.
   c) The external auditor.
   d) The audit committee.

2. Which of the following types of fraud is least likely in an environment where cash receipting and record keeping for accounts receivable are adequately segregated?
   a) Lapping
   b) Pilfering
   c) False claims
   d) Charge-off fraud

3. What is the best way to select a sample to test internal control?
   a) Block sampling
   b) Internal sampling
   c) Random sampling
   d) Blind sampling

4. All of the following are examples of permanent risk except:
   a) Change in grant requirements
   b) Complexity
   c) Cash receipts
   d) Prior problems

5. Which is not an example of a control procedure?
   a) Authorization
   b) Segregation of incompatible duties
   c) Analytical review
   d) Mandatory holidays

6. Which of the following is the most important element in a comprehensive framework of internal controls?
   a) Monitoring
   b) Risk assessment
   c) Communication
   d) Control environment

7. Which of the following is an implicit assertion made in financial reporting?
   a) Existence or occurrence
   b) Completeness
   c) Rights and obligations
   d) All of the above

8. Which of the following control-related procedure is the most useful in meeting the implicit assertion of completeness?
   a) Prior authorization and approval
   b) Segregation of incompatible duties
   c) Analytical procedures
   d) Periodic verification

9. Which of the following is an inherent limitation of internal controls?
   a) Principle of cost/benefit
   b) Collusion
   c) Management override
   d) All of the above

10. Which of the following is the most significant factor promoting fraud?
    a) Motive
    b) Attitude
    c) Opportunity
    d) Economy

11. What is the primary role of most internal audit staff?
    a) Prepare the financial statements
    b) Review the work of the external auditors
    c) Assist management in monitoring the effectiveness of internal controls
    d) Assist the external auditors

12. Which of the following is one of the five essential elements of a comprehensive framework of internal controls?
    a) Control environment
    b) Risk assessment
    c) Communication
    d) All of the above
13. Which of the following is NOT one of the four principles that is related to risk assessment activities?  
   a) Selection and development of control activities.  
   b) Identification and assessment of changes.  
   c) Identification of risks  
   d) Alertness to fraud  

14. The letter of transmittal would be included in what section of the CAFR?  
   a) Introductory  
   b) Statistical  
   c) Financial  
   d) None of the above  

15. Proprietary funds are mandatory for which of the following?  
   a) A motor pool  
   b) An airport owned by state government  
   c) A public transit authority  
   d) Principal revenue source associated with debt backed solely by fees  

16. A criteria for blending a component unit is:  
   a) Receive majority of revenue from a primary government  
   b) Shared governing board and a financial benefit or burden relationship  
   c) Have the same fiscal year of the primary government  
   d) Must be located within the boundary of the primary government  

17. The paramount objective of general purpose external financial reporting is:  
   a) Accountability  
   b) Comparability  
   c) Inter period equity  
   d) Understandability  

18. Which of the following has the highest authoritative status?  
   a) GASB Concept Statement  
   b) AICPA Audit and Accounting Guide  
   c) GASB Technical Bulletin  
   d) GASB Statement  

19. In a general fund, unassigned fund balance is a measure of:  
   a) Available cash  
   b) Economic position  
   c) Cumulative earnings  
   d) Spendable resources  

20. Which of the following funds has an economic resources measurement focus?  
   a) General  
   b) Custodial  
   c) Enterprise  
   d) Pension trust  

21. Which of the following is a section of the comprehensive annual financial report (CAFR)?  
   a) Statistical  
   b) Introductory  
   c) Financial  
   d) All of the above  

22. Which of the following is a required financial statement for a governmental fund?  
   a) Statement of Cash Flows  
   b) Statement of Net Position  
   c) Balance Sheet  
   d) Statement of activities  

23. Which of the following is a fund balance category?  
   a) Nonspendable  
   b) Assigned  
   c) Restricted  
   d) All of the above  

24. Data from which fund type is NOT included in the government-wide statements?  
   a) Internal service fund  
   b) Private purpose trust fund  
   c) Permanent fund  
   d) All of the above  

25. The statement of revenues, expenditures and changes in fund balance would NOT report which of the following transactions?  
   a) Depreciation  
   b) Capital outlay  
   c) Principal payment on long-term debt  
   d) Proceeds from the sale of capital assets
26. Which of the following is a proprietary fund?
   a) Enterprise fund
   b) Custodial fund
   c) Special revenue fund
   d) Private purpose trust fund

27. Which of the following is a net position category?
   a) Nonspendable
   b) Assigned
   c) Restricted
   d) All of the above

28. In the statement of activities, which of the following is always classified as general revenue?
   a) Fees
   b) Grants
   c) Taxes
   d) Fines

29. Which fund would report a statement of cash flows?
   a) Debt service fund
   b) Custodial fund
   c) Enterprise fund
   d) Special revenue fund

30. Which fund type could report a budgetary comparison schedule as part of required supplementary information?
   a) Major capital projects fund
   b) Major debt service fund
   c) Major special revenue fund
   d) All of the above

31. GFOA recommends that general-purpose governments maintain unrestricted fund balance for the general fund at no less than:
   a) one year of general fund revenues or expenditures.
   b) six months of general fund revenues or expenditures.
   c) two months of general fund revenues or expenditures.
   d) one month of general fund revenues or expenditures.

32. Which of the following could be reported in the government-wide statements for a government with a defined benefit pension plan?
   a) Total pension obligation
   b) Net pension liability
   c) Plan fiduciary net position
   d) Accrued pension benefit payable

33. What column is required in the budgetary comparison schedule?
   a) Original budget
   b) Actual amounts presented on a budgetary basis
   c) Final revised budget
   d) All of the above

34. “Yellow Book: is often used to describe the auditing standards issued by the:
   a) General Accountability Office
   b) Office of Management and Budget
   c) Auditing Standards Executive Committee
   d) American Institute of Certified Public Accountants

35. An auditor’s report is deemed “modified” if it states that:
   a) The auditor is unable to render an opinion
   b) The financial statements are not fairly presented
   c) The financial statements are fairly presented “except for…”
   d) The financial statements are fairly presented

36. Single Audit is required when federal awards expended exceeds:
   a) $250,000
   b) $500,000
   c) $750,000
   d) $1,000,000

37. GFOA recommends that audit contracts should be for a minimum of how many years?
   a) 2 years
   b) 5 years
   c) 7 years
   d) 10 years
38. Which of the following does an audit opinion cover?
   a) Transmittal letter
   b) Managements’ discussion and analysis
   c) Required supplementary information
   d) None of the above

39. The main goal of the annual audit of the financial statement is to:
   a) detect all cases of fraud.
   b) evaluate the effectiveness of internal control.
   c) assure the financial statements are free of material misstatements.
   d) All of the above

40. Which of the following does GFOA recommend serve on an audit committee?
   a) Citizens
   b) Chief executive officer
   c) Members from the governing board
   d) Director of internal audit
Key:
1. b
2. a
3. c
4. a
5. d
6. d
7. d
8. c
9. d
10. c
11. c
12. d
13. a
14. a
15. d
16. b
17. a
18. d
19. d
20. c
21. d
22. c
23. d
24. b
25. a
26. a
27. c
28. c
29. c
30. c
31. c
32. b
33. d
34. a
35. c
36. c
37. b
38. d
39. c
40. c