GOVERNMENTAL ACCOUNTING, AUDITING AND FINANCIAL REPORTING

Sample Examination

1. Ultimate responsibility for internal controls 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 controls?
   a) Block sampling
   b) Internal sampling
   c) Random sampling
   d) Blind sampling

4. All of the following are examples of inherent risk except:
   a) Size
   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 procedures 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. 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 by fees

12. The letter of transmittal would be included in what section of the CAFR?
    a) Introductory
    b) Statistical
    c) Financial
    d) None of the above
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13. 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

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

15. 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 Interpretation

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

17. Which of the following funds does NOT have a measurement focus?
   a) General
   b) Agency
   c) Enterprise
   d) Pension trust

18. 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

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

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

21. 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

22. 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

23. Which of the following is a proprietary fund?
   a) Enterprise fund
   b) Agency fund
   c) Special revenue fund
   d) Private purpose trust fund

24. Which of the following is a net position category?
   a) Nonspendable
   b) Assigned
   c) Restricted
   d) All of the above
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25. In the statement of activities, which of the following is always classified as general revenue?
   a) Fees
   b) Grants
   c) Taxes
   d) Fines

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

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

28. 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 year of general fund revenues or expenditures.
   c) two months of general fund revenues or expenditures.
   d) one month of general fund revenues or expenditures.

29. “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

30. An auditor’s report is deemed “qualified” 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

31. When is a Single Audit required?
   a) $100,000 in federal awards expended
   b) $250,000 in federal awards expended
   c) $500,000 in federal awards expended
   d) $1,000,000 in federal awards expended

32. 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

33. 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

34. 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

35. 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
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Sample Examination

Key:
1. b
2. a
3. c
4. a
5. d
6. d
7. d
8. c
9. d
10. c
11. d
12. a
13. b
14. a
15. d
16. d
17. b
18. d
19. c
20. d
21. b
22. a
23. a
24. c
25. c
26. c
27. c
28. c
29. a
30. c
31. c
32. b
33. d
34. c
35. c