**TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.  
1)** General purpose governments generally provide a wider range of services to their residents than do special purpose governments.

1) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : BB Industry  
Bloom's : Remember  
Learning Objective : 01-01 Identify and explain the characteristics that distinguish government and n  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Differences Between Governmental and Not-for-profit Organization  
Gradable : automatic

**2)** Examples of general purpose governments include cities, towns, and independent public school districts.

2) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : BB Industry  
Bloom's : Remember  
Learning Objective : 01-01 Identify and explain the characteristics that distinguish government and n  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Differences Between Governmental and Not-for-profit Organization  
Gradable : automatic

**3)** The Governmental Accounting Standards Board (GASB) is the body authorized to establish accounting principles for all state and local governments, both general purpose and special purpose.

3) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 01-02 Identify the authoritative bodies responsible for setting financial report  
Topic : Sources of Financial Reporting Standards  
Gradable : automatic

**4)** The Governmental Accounting Standards Board (GASB) is the body authorized to establish accounting principles for all government entities.

4) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 01-02 Identify the authoritative bodies responsible for setting financial report  
Topic : Sources of Financial Reporting Standards  
Gradable : automatic

**5)** The Financial Accounting Standards Board (FASB) is the body authorized to establish accounting principles for all colleges and universities and health care entities.

5) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 01-02 Identify the authoritative bodies responsible for setting financial report  
Topic : Sources of Financial Reporting Standards  
Gradable : automatic

**6)** Neither governments nor not-for-profit entities have residual equity that can be distributed to owners.

6) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
Learning Objective : 01-01 Identify and explain the characteristics that distinguish government and n  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Differences Between Governmental and Not-for-profit Organization  
Gradable : automatic

**7)** A characteristic common to governments and not-for-profit organizations is that they do *not* exist to provide goods or services at a profit or profit equivalent.

7) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : BB Industry  
Learning Objective : 01-01 Identify and explain the characteristics that distinguish government and n  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Differences Between Governmental and Not-for-profit Organization  
Gradable : automatic

**8)** The needs of users of government financial reports are the same as those of users of business entity financial reports.

8) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : BB Industry  
Learning Objective : 01-01 Identify and explain the characteristics that distinguish government and n  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Differences Between Governmental and Not-for-profit Organization  
Gradable : automatic

**9)** The Federal Accounting Standards Advisory Board (FASAB) recommends accounting principles and standards for the federal government and its agencies and departments.

9) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 01-02 Identify the authoritative bodies responsible for setting financial report  
Topic : Sources of Financial Reporting Standards  
Gradable : automatic

**10)** The FASB, GASB, and FASAB all focus their standards on both internal and external financial reporting.

10) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : BB Industry  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-03 Contrast and compare the objectives of financial reporting for (1) state a  
Topic : Objectives of Financial Reporting  
Gradable : automatic

**11)** Interperiod equity refers to the concept that current-year revenues are sufficient to pay for services provided that year, so that future taxpayers will not be required to assume the burden for services previously provided.

11) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-03 Contrast and compare the objectives of financial reporting for (1) state a  
Topic : Objectives of Financial Reporting  
Gradable : automatic

**12)** The minimum requirements for general purpose external financial reporting are (1) management's discussion and analysis (MD&A), (2) the basic financial statements, including the notes to the financial statements, and (3) combining and individual fund financial statements.

12) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Learning Objective : 01-04 Explain the minimum requirements for general purpose external financial re  
Topic : Financial Reporting of State and Local Governments  
Gradable : automatic

**13)** The Financial Accounting Foundation has oversight over both the FASB and the GASB.

13) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 01-02 Identify the authoritative bodies responsible for setting financial report  
Topic : Sources of Financial Reporting Standards  
Gradable : automatic

**14)** In addition to financial statements and notes, the GASB requires governments to provide information on service efforts and accomplishments (SEA) in their reports to the public.

14) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-04 Explain the minimum requirements for general purpose external financial re  
Topic : Financial Reporting of State and Local Governments  
Gradable : automatic

**15)** Providing information on accountability is the primary financial reporting objective for both governments and not-for-profit entities.

15) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : BB Industry  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-03 Contrast and compare the objectives of financial reporting for (1) state a  
Topic : Objectives of Financial Reporting  
Gradable : automatic

**16)** A difference in the financial reporting objectives for government entities and not-for-profit entities is that government entities report on compliance with laws, regulations, and rules that impact financial reports.

16) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : BB Industry  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-03 Contrast and compare the objectives of financial reporting for (1) state a  
Topic : Objectives of Financial Reporting  
Gradable : automatic

**17)** Since neither governments nor not-for-profit entities have investors, the financial reporting objectives are the same for both types of entities.

17) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-03 Contrast and compare the objectives of financial reporting for (1) state a  
Topic : Objectives of Financial Reporting  
AICPA : FN Financial reporting  
Gradable : automatic

**18)** The GASB provides optional guidance for those entities providing service efforts and accomplishments (SEA) reports to the public.

18) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Learning Objective : 01-04 Explain the minimum requirements for general purpose external financial re  
Topic : Financial Reporting of State and Local Governments  
Gradable : automatic

**19)** The Office of Management and Budget (OMB) requires major federal departments and agencies to prepare an annual performance report.

19) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Learning Objective : 01-05 Identify and describe the required financial statements for the federal go  
Topic : Financial Reporting of the Federal Government  
Gradable : automatic

**20)** The FASB standards require not-for-profit entities to report net assets in three categories: unrestricted, temporarily restricted, and permanently restricted.

20) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Topic : Financial Reporting of Not-For-Profit Organizations  
Learning Objective : 01-06 Identify and describe the required financial statements for not-for-profit  
Gradable : automatic

**21)** The FASB standards require not-for-profit entities to separately report program expenses and support expenses.

21) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Topic : Financial Reporting of Not-For-Profit Organizations  
Learning Objective : 01-06 Identify and describe the required financial statements for not-for-profit  
Gradable : automatic

**22)** The governmental fund financial statements are intended to report on fiscal accountability.

22) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Learning Objective : 01-04 Explain the minimum requirements for general purpose external financial re  
Topic : Financial Reporting of State and Local Governments  
Gradable : automatic

**23)** The governmental fund financial statements are useful in assessing operational accountability.

23) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Learning Objective : 01-04 Explain the minimum requirements for general purpose external financial re  
Topic : Financial Reporting of State and Local Governments  
Gradable : automatic

**24)** Government-wide financial statements are prepared using the accrual basis of accounting.

24) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Learning Objective : 01-04 Explain the minimum requirements for general purpose external financial re  
Topic : Financial Reporting of State and Local Governments  
Gradable : automatic

**25)** A public college or university would be an example of a special purpose government.

25) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : BB Industry  
Learning Objective : 01-01 Identify and explain the characteristics that distinguish government and n  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Differences Between Governmental and Not-for-profit Organization  
Gradable : automatic

**26)** A primary objective of financial reporting for governments and not-for-profit organizations is to provide information that can be used in assessing the ability to provide services.

26) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-03 Contrast and compare the objectives of financial reporting for (1) state a  
Topic : Objectives of Financial Reporting  
AICPA : FN Financial reporting  
Gradable : automatic

**27)** Operational accountability requires providing information that can be used to help assess whether resources are being used efficiently and effectively.

27) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Learning Objective : 01-04 Explain the minimum requirements for general purpose external financial re  
Topic : Financial Reporting of State and Local Governments  
Gradable : automatic

**28)** The federal government has an open data website called Open Government that provides access to state and local data websites.

28) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Learning Objective : 01-04 Explain the minimum requirements for general purpose external financial re  
Topic : Financial Reporting of State and Local Governments  
Gradable : automatic

**29)** Both the GASB and the FASB require entities to include a management discussion and analysis in the financial reports.

29) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-04 Explain the minimum requirements for general purpose external financial re  
Learning Objective : 01-06 Identify and describe the required financial statements for not-for-profit  
Topic : Overview of Financial Reporting for State and Local Governments, the Federal Government, and  
Gradable : automatic

**30)** Similar to for-profit entities, net income serves as a good measure of a government’s performance.

30) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
Learning Objective : 01-01 Identify and explain the characteristics that distinguish government and n  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Differences Between Governmental and Not-for-profit Organization  
Gradable : automatic

**31)** According to the guidance of GASB *Concepts Statement 3*, financial information can be communicated by recognition in the financial statements, disclosure in the notes to the financial statements, presentation as required supplementary information, or presentation as supplementary information.

31) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Learning Objective : 02-01 Describe the concepts related to the financial reporting requirements of t  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Conceptual Framework-Providing Useful Financial Reports  
Gradable : automatic

**32)** According to GASB *Concepts Statement 1* a primary objective of financial reports is to provide information useful in determining the accountability of the government.

32) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Learning Objective : 02-01 Describe the concepts related to the financial reporting requirements of t  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Conceptual Framework-Providing Useful Financial Reports  
Gradable : automatic

**33)** Activities a local government can engage in are classified as governmental, business-type, or fiduciary.

33) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 02-02 Explain the purpose of the three major activity categories of a state or l  
Topic : Activities of Government  
Gradable : automatic

**34)** Governmental funds are identical to governmental activities, proprietary funds are identical to business-type activities, and fiduciary funds are identical to fiduciary activities of a government.

34) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 02-03 Explain the Governmental Accounting Standards Board's (GASB) integrated ac  
Gradable : automatic

**35)** Only those governmental and proprietary funds that meet the GASB size criteria for major funds are reported in separate columns of the governmental and proprietary fund financial statements.

35) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 02-03 Explain the Governmental Accounting Standards Board's (GASB) integrated ac  
Gradable : automatic

**36)** Economic resources are cash or items expected to be converted into cash during the current period, or soon enough thereafter to pay current period liabilities.

36) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 02-03 Explain the Governmental Accounting Standards Board's (GASB) integrated ac  
Gradable : automatic

**37)** Governmental funds account for current and long-term liabilities.

37) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 02-03 Explain the Governmental Accounting Standards Board's (GASB) integrated ac  
Gradable : automatic

**38)** The types of funds that may be used in governmental accounting are classified into the three categories of governmental, proprietary, and fiduciary.

38) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 02-03 Explain the Governmental Accounting Standards Board's (GASB) integrated ac  
Gradable : automatic

**39)** The governmental funds category includes the General Fund, special revenue funds, debt service funds, capital projects funds, and internal service funds.

39) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Fund Reporting  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : automatic

**40)** Governments can, in part, demonstrate operational accountability by using an economic resources measurement focus and the accrual basis of accounting for reporting.

40) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 02-03 Explain the Governmental Accounting Standards Board's (GASB) integrated ac  
Gradable : automatic

**41)** All capital assets acquired by or used by a fund should be reported in the fund balance sheet or statement of net position.

41) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 02-03 Explain the Governmental Accounting Standards Board's (GASB) integrated ac  
Gradable : automatic

**42)** Because budgetary accounts are used by governments, government financial statements can never be said to be in accord with generally accepted accounting principles.

42) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 02-03 Explain the Governmental Accounting Standards Board's (GASB) integrated ac  
Gradable : automatic

**43)** The maximum number of financial statements prepared by any of the three fund categories of government is three.

43) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 02-03 Explain the Governmental Accounting Standards Board's (GASB) integrated ac  
Gradable : automatic

**44)** When revenues are legally restricted by external resource providers or committed by enabling legislation for particular operating purposes, a private purpose trust fund is created.

44) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Fund Reporting  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : automatic

**45)** A debt service fund is used to account for financial resources set aside for the purpose of making principal and interest payments on general long-term debt.

45) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Fund Reporting  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : automatic

**46)** A deferred inflow of resources is defined as “an acquisition of net assets by the government that is applicable to a future reporting period.”

46) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Learning Objective : 02-01 Describe the concepts related to the financial reporting requirements of t  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Conceptual Framework-Providing Useful Financial Reports  
Gradable : automatic

**47)** Expenditures are never recorded in governmental funds.

47) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 02-03 Explain the Governmental Accounting Standards Board's (GASB) integrated ac  
Gradable : automatic

**48)** Deferred outflows of resources is a type of asset that is unique to government.

48) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Learning Objective : 02-01 Describe the concepts related to the financial reporting requirements of t  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Conceptual Framework-Providing Useful Financial Reports  
Gradable : automatic

**49)** Revenues are an example of what the GASB terms an inflow of resources.

49) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Learning Objective : 02-01 Describe the concepts related to the financial reporting requirements of t  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Conceptual Framework-Providing Useful Financial Reports  
Gradable : automatic

**50)** An expenditure is an example of what the GASB terms an outflow of resources.

50) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Learning Objective : 02-01 Describe the concepts related to the financial reporting requirements of t  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Conceptual Framework-Providing Useful Financial Reports  
Gradable : automatic

**51)** Deferred inflows of resources and deferred outflows of resources would be shown in separate sections of a government’s statement of net position.

51) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Learning Objective : 02-01 Describe the concepts related to the financial reporting requirements of t  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Conceptual Framework-Providing Useful Financial Reports  
Gradable : automatic

**52)** In accordance with GASB standards, a deferred inflow of resources is reported in the liabilities section of the financial statement.

52) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Learning Objective : 02-01 Describe the concepts related to the financial reporting requirements of t  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Conceptual Framework-Providing Useful Financial Reports  
Gradable : automatic

**53)** The GASB concept statements indicate that an asset that is going to be converted to cash should be reported at a remeasured amount at the financial statement date.

53) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Learning Objective : 02-01 Describe the concepts related to the financial reporting requirements of t  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Conceptual Framework-Providing Useful Financial Reports  
Gradable : automatic

**54)** Proprietary funds primarily provide services to the general public for a fee.

54) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : automatic

**55)** A permanent endowment is an example of a nonspendable fund balance.

55) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Fund Reporting  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : automatic

**56)** Assigned fund balances can be either positive or negative.

56) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Fund Reporting  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : automatic

**57)** The General Fund is the only fund that can have a positive unassigned fund balance.

57) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Fund Reporting  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : automatic

**58)** The positive fund balance in a special revenue fund must at a minimum be reported as assigned.

58) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Fund Reporting  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : automatic

**59)** Nonmajor funds are *not* reported on the fund financial statements.

59) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Fund Reporting  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : automatic

**60)** There are four major activity categories reported by state and local governments: governmental, government-wide, proprietary, and fiduciary.

60) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 02-02 Explain the purpose of the three major activity categories of a state or l  
Topic : Activities of Government  
Gradable : automatic

**61)** Governmental activities include the core services provided by a government, such as public safety.

61) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 02-02 Explain the purpose of the three major activity categories of a state or l  
Topic : Activities of Government  
Gradable : automatic

**62)** The statement of net position is a governmental fund financial statement.

62) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 02-03 Explain the Governmental Accounting Standards Board's (GASB) integrated ac  
Gradable : automatic

**63)** The only difference between the modified accrual basis of accounting and the accrual basis is that one records expenditures and the other records expenses.

63) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 02-03 Explain the Governmental Accounting Standards Board's (GASB) integrated ac  
Gradable : automatic

**64)** Nonmajor funds are all reported in the same column on the governmental fund financial statements.

64) \_\_\_\_\_\_

⊚ true  
 ⊚ false

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Fund Reporting  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : automatic

**MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.  
65)** The Governmental Accounting Standards Board is assigned responsibility for setting accounting and financial reporting standards for which of the following?

65) \_\_\_\_\_\_

A) Governments such as federal agencies, states, cities, counties, villages, and townships.   
 B) State and local government entities and governmentally-related units and agencies, such as utilities, authorities, hospitals, and colleges and universities.  
 C) Not-for-profit organizations.  
 D) State and local governments and all not-for-profit organizations.

**Question Details**AACSB : Knowledge Application  
AICPA : BB Industry  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 01-02 Identify the authoritative bodies responsible for setting financial report  
Topic : Sources of Financial Reporting Standards  
Bloom's : Understand  
Difficulty : 2 Medium  
Gradable : automatic

**66)** Which of the following bodies has been established to recommend accounting and financial reporting standards for the federal government?

66) \_\_\_\_\_\_

A) Financial Accounting Standards Board (FASB).   
 B) Governmental Accounting Standards Board (GASB).  
 C) Federal Accounting Foundation (FAF).  
 D) Federal Accounting Standards Advisory Board (FASAB).

**Question Details**AACSB : Knowledge Application  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 01-02 Identify the authoritative bodies responsible for setting financial report  
Topic : Sources of Financial Reporting Standards  
Gradable : automatic

**67)** The Financial Accounting Standards Board has the responsibility for setting accounting and financial reporting standards for which of the following?

67) \_\_\_\_\_\_

A) All not-for-profit organizations that are nongovernmental and business entities.   
 B) All not-for-profit organizations and business entities.  
 C) All not-for-profit organizations.  
 D) Special purpose governments with a business purpose.

**Question Details**AACSB : Knowledge Application  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 01-02 Identify the authoritative bodies responsible for setting financial report  
Topic : Sources of Financial Reporting Standards  
Gradable : automatic

**68)** You are trying to decide if an entity you are reviewing is a government or a not-for-profit. Which of the following would indicate it is a government rather than a not-for-profit entity?

68) \_\_\_\_\_\_

A) Absence of profit motive.   
 B) A primary source of revenues is taxes.  
 C) Resource providers do not expect benefits proportional to the resources provided.  
 D) Absence of a defined ownership interest that can be sold, transferred, or redeemed.

**Question Details**AACSB : Knowledge Application  
AICPA : BB Industry  
Learning Objective : 01-01 Identify and explain the characteristics that distinguish government and n  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Differences Between Governmental and Not-for-profit Organization  
Gradable : automatic

**69)** Which of the following is identified by the GASB as the "cornerstone" of all financial reporting in government?

69) \_\_\_\_\_\_

A) Decision usefulness.   
 B) Stewardship.  
 C) Accountability.  
 D) Interperiod equity.

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Learning Objective : 01-03 Contrast and compare the objectives of financial reporting for (1) state a  
Topic : Objectives of Financial Reporting  
Gradable : automatic

**70)** Which of the following organizations issue standards that focus on both internal and external financial reporting?

70) \_\_\_\_\_\_

A) Federal Accounting Standards Advisory Board.   
 B) Governmental Accounting Standards Board.  
 C) Financial Accounting Standards Board.  
 D) American Institute of CPAs.

**Question Details**AACSB : Knowledge Application  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 01-03 Contrast and compare the objectives of financial reporting for (1) state a  
Topic : Objectives of Financial Reporting  
Gradable : automatic

**71)** Which of the following is identified by the FASAB as the foundation for federal financial reporting?

71) \_\_\_\_\_\_

A) Decision usefulness.   
 B) Accountability.  
 C) Understandability.  
 D) Budget integrity.

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Learning Objective : 01-03 Contrast and compare the objectives of financial reporting for (1) state a  
Topic : Objectives of Financial Reporting  
Gradable : automatic

**72)** Which of the following is *not* an objective of financial reporting by state and local governments?

72) \_\_\_\_\_\_

A) To assist users in assessing the adequacy of systems and controls.   
 B) To assist users in assessing financial condition and results of operations.  
 C) To assist financial report users in comparing actual financial results with the legally adopted budget.  
 D) To assist in determining compliance with finance-related laws, rules, and regulations.

**Question Details**AACSB : Knowledge Application  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-03 Contrast and compare the objectives of financial reporting for (1) state a  
Topic : Objectives of Financial Reporting  
Gradable : automatic

**73)** Which of the following groups is considered a primary user of a state or local government's general-purpose external financial statements?

73) \_\_\_\_\_\_

A) Citizens.   
 B) Managers and administrators.  
 C) Employees.  
 D) Special interest groups.

**Question Details**AACSB : Knowledge Application  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 01-03 Contrast and compare the objectives of financial reporting for (1) state a  
Topic : Objectives of Financial Reporting  
Gradable : automatic

**74)** One of the minimum requirements for general purpose external financial reporting by governments is

74) \_\_\_\_\_\_

A) Management's discussion and analysis (MD&A).   
 B) Transmittal letter.  
 C) Combining and individual fund statements.  
 D) Statistical information.

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Learning Objective : 01-04 Explain the minimum requirements for general purpose external financial re  
Topic : Financial Reporting of State and Local Governments  
Gradable : automatic

**75)** A comprehensive annual financial report (CAFR) prepared in conformity with the GASB recommendations should include which of the following sections?

75) \_\_\_\_\_\_

A) Letter of transmittal, management's discussion and analysis (MD&A), and financial.   
 B) Introductory, financial, and statistical.  
 C) Introductory, MD&A, and financial.  
 D) Letter of transmittal, financial, and supplementary.

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Learning Objective : 01-04 Explain the minimum requirements for general purpose external financial re  
Topic : Financial Reporting of State and Local Governments  
Gradable : automatic

**76)** Which of the following would be included in a properly prepared comprehensive annual financial report (CAFR), but *not* in the minimum requirements for general purpose financial reporting specified by GASB standards?

76) \_\_\_\_\_\_

A) Management's discussion and analysis (MD&A).   
 B) Government-wide financial statements.  
 C) Notes to the financial statements.  
 D) Combining and individual fund financial statements.

**Question Details**AACSB : Knowledge Application  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-04 Explain the minimum requirements for general purpose external financial re  
Topic : Financial Reporting of State and Local Governments  
Gradable : automatic

**77)** A statistical section should be included in

77) \_\_\_\_\_\_

A) A comprehensive annual financial report (CAFR).   
 B) The basic financial statements.  
 C) The notes to the financial statements.  
 D) Required supplementary information, other than MD&A.

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Learning Objective : 01-04 Explain the minimum requirements for general purpose external financial re  
Topic : Financial Reporting of State and Local Governments  
Gradable : automatic

**78)** Which of the following would typically *not* be included in the introductory section of a comprehensive annual financial report?

78) \_\_\_\_\_\_

A) Title and contents page.   
 B) Letter of transmittal.  
 C) A description of the government.  
 D) Summary of the government's current financial position and results of financial activities.

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Learning Objective : 01-04 Explain the minimum requirements for general purpose external financial re  
Topic : Financial Reporting of State and Local Governments  
Gradable : automatic

**79)** The section of the comprehensive annual financial report that presents tables and charts showing social and economic data in addition to financial trends, fiscal capacity, and operating information of the government is the

79) \_\_\_\_\_\_

A) Introductory section.   
 B) Management's discussion and analysis section.  
 C) Statistical section.  
 D) Financial section.

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Learning Objective : 01-04 Explain the minimum requirements for general purpose external financial re  
Topic : Financial Reporting of State and Local Governments  
Gradable : automatic

**80)** Which of the following should be included in the financial section of a comprehensive annual financial report?

80) \_\_\_\_\_\_

A) Transmittal letter.   
 B) The basic financial statements, including notes thereto.  
 C) Tables and charts showing demographic and economic data.  
 D) A description of the government.

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Learning Objective : 01-04 Explain the minimum requirements for general purpose external financial re  
Topic : Financial Reporting of State and Local Governments  
Gradable : automatic

**81)** On what do the government-wide financial statements primarily report?

81) \_\_\_\_\_\_

A) Operational accountability.   
 B) Fiscal accountability.  
 C) The cost of government services.  
 D) Budgetary compliance.

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Learning Objective : 01-04 Explain the minimum requirements for general purpose external financial re  
Topic : Financial Reporting of State and Local Governments  
Gradable : automatic

**82)** Which of the following standard-setting bodies requires a management’s discussion and analysis as a part of the financial report?

82) \_\_\_\_\_\_

A) GASB.   
 B) FASB.  
 C) FASAB.  
 D) Both GASB and FASAB.

**Question Details**AACSB : Knowledge Application  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-04 Explain the minimum requirements for general purpose external financial re  
Learning Objective : 01-05 Identify and describe the required financial statements for the federal go  
Topic : Overview of Financial Reporting for State and Local Governments, the Federal Government, and  
Gradable : automatic

**83)** On what should the governmental fund financial statements report?

83) \_\_\_\_\_\_

A) Net position and results of financial operations of the government as a whole.   
 B) Fiscal accountability.  
 C) Operational accountability.  
 D) Cost of government services.

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Learning Objective : 01-04 Explain the minimum requirements for general purpose external financial re  
Topic : Financial Reporting of State and Local Governments  
Gradable : automatic

**84)** Which of the following sections is *not* considered a part of a federal agency’s performance and accountability report?

84) \_\_\_\_\_\_

A) Basic financial statements.   
 B) Annual performance report.  
 C) Statistical section.  
 D) Management's discussion and analysis.

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Learning Objective : 01-05 Identify and describe the required financial statements for the federal go  
Topic : Financial Reporting of the Federal Government  
Gradable : automatic

**85)** Which of the following statements is prepared by all not-for-profit organizations?

85) \_\_\_\_\_\_

A) Statement of financial position.   
 B) Statement of changes in net position.  
 C) Statement of revenues, expenses, and changes in net position.  
 D) Both Statement of financial position and Statement of changes in net position.

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Topic : Financial Reporting of Not-For-Profit Organizations  
Learning Objective : 01-06 Identify and describe the required financial statements for not-for-profit  
Gradable : automatic

**86)** Recognizing revenues when measurable and available for paying current obligations and expenditures when incurred describes which basis of accounting?

86) \_\_\_\_\_\_

A) Accrual.   
 B) Modified accrual.  
 C) Modified cash.  
 D) Budgetary.

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Learning Objective : 01-04 Explain the minimum requirements for general purpose external financial re  
Topic : Financial Reporting of State and Local Governments  
Gradable : automatic

**87)** The FASB requires that not-for-profits show the relationship of functional expenses to natural classifications of expense in what format?

87) \_\_\_\_\_\_

A) A separate statement of functional expenses.   
 B) As part of the statement of activities.  
 C) As a schedule in the notes to the financial statements.  
 D) Any of these formats is acceptable.

**Question Details**AACSB : Knowledge Application  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Financial Reporting of Not-For-Profit Organizations  
Learning Objective : 01-06 Identify and describe the required financial statements for not-for-profit  
Gradable : automatic

**88)** Which of the following is a net asset category reported by not-for-profit entities?

88) \_\_\_\_\_\_

A) Unrestricted net assets.   
 B) Net assets with donor restrictions.  
 C) Temporarily restricted net assets.  
 D) Net investment in capital assets.

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Topic : Financial Reporting of Not-For-Profit Organizations  
Learning Objective : 01-06 Identify and describe the required financial statements for not-for-profit  
Gradable : automatic

**89)** Which of the following is *not* classified as a support activity reported by not-for-profit entities?

89) \_\_\_\_\_\_

A) Fund-raising expenses.   
 B) Program expenses.  
 C) Management expenses.  
 D) General expenses of operating the not-for-profit entity.

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Topic : Financial Reporting of Not-For-Profit Organizations  
Learning Objective : 01-06 Identify and describe the required financial statements for not-for-profit  
Gradable : automatic

**90)** The FASAB’s *Statement of Accounting and Reporting Concepts Statement No. 1* identifies four objectives of federal financial reporting. The requirement to be publicly accountable for laws and regulations related to spending tax revenues relates to which of the four objectives?

90) \_\_\_\_\_\_

A) Stewardship.   
 B) Operating performance.  
 C) Budgetary integrity.  
 D) Accountability.

**Question Details**AACSB : Knowledge Application  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-03 Contrast and compare the objectives of financial reporting for (1) state a  
Topic : Objectives of Financial Reporting  
Gradable : automatic

**91)** Which of the following best identifies the purpose of the government-wide financial statements?

91) \_\_\_\_\_\_

A) To provide detailed financial information about different funds of government.   
 B) To provide an overview of the total government’s financial information.  
 C) To provide an overview of how government would operate as a business-type entity.  
 D) To provide detailed financial information on how the government’s financial performance compares to the prior reporting period.

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Difficulty : 2 Medium  
Learning Objective : 01-04 Explain the minimum requirements for general purpose external financial re  
Topic : Financial Reporting of State and Local Governments  
Gradable : automatic

**92)** Governments and not-for-profit organizations can exist in many of the same forms. Which of the following would most likely not be found in both a government and a not-for-profit form?

92) \_\_\_\_\_\_

A) A college.   
 B) An art museum.  
 C) A mental health clinic.  
 D) A professional association.

**Question Details**AACSB : Knowledge Application  
Learning Objective : 01-01 Identify and explain the characteristics that distinguish government and n  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Differences Between Governmental and Not-for-profit Organization  
Gradable : automatic

**93)** Governments and not-for-profit organizations have several characteristics that distinguish them from business organizations. Which of the following is one of those characteristics?

93) \_\_\_\_\_\_

A) Sources of revenue.   
 B) Operating purpose.  
 C) Ownership interest.  
 D) All of these characteristics.

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Learning Objective : 01-01 Identify and explain the characteristics that distinguish government and n  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Topic : Differences Between Governmental and Not-for-profit Organization  
Gradable : automatic

**94)** The Financial Accounting Foundation (FAF) oversees and appoints board members to which of the following standard setting bodies?

94) \_\_\_\_\_\_

A) Financial Accounting Standards Board (FASB).   
 B) Governmental Accounting Standards Board (GASB).  
 C) Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB).  
 D) Financial Accounting Standards Board (FASB), Governmental Accounting Standards Board (GASB), and the Federal Accounting Standards Advisory Board (FASAB).

**Question Details**AACSB : Knowledge Application  
AICPA : BB Industry  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 01-02 Identify the authoritative bodies responsible for setting financial report  
Topic : Sources of Financial Reporting Standards  
Gradable : automatic

**95)** The federal government prepares a performance and accountability report. The purpose(s) of the performance and accountability report include which of the following?

95) \_\_\_\_\_\_

A) Help users assess financial performance.   
 B) Help users assess financial performance and management performance.  
 C) Help users assess financial performance, management performance, and budgetary performance.  
 D) Help users assess financial performance, and budgetary performance.

**Question Details**AACSB : Knowledge Application  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Learning Objective : 01-05 Identify and describe the required financial statements for the federal go  
Topic : Financial Reporting of the Federal Government  
Gradable : automatic

**96)** Expenditures and expenses are classified as which of the following elements under GASB concepts statements?

96) \_\_\_\_\_\_

A) Deferred outflows of resources.   
 B) Outflows of resources.  
 C) Change in net position.  
 D) Deferred inflows of resources.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Learning Objective : 02-01 Describe the concepts related to the financial reporting requirements of t  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Conceptual Framework-Providing Useful Financial Reports  
Gradable : automatic

**97)** Which of the following is *not* an element defined by *GASB Concepts Statement No. 4?*

97) \_\_\_\_\_\_

A) Asset.   
 B) Net position.  
 C) Deferred inflows of resources.  
 D) Revenues.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Learning Objective : 02-01 Describe the concepts related to the financial reporting requirements of t  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Conceptual Framework-Providing Useful Financial Reports  
Gradable : automatic

**98)** Which of the following is a primary objective of financial reporting by state and local governments?

98) \_\_\_\_\_\_

A) To provide information that can be used for capital allocation decisions made by external investors.   
 B) To report on the legal requirements imposed on the government by its elected officials.  
 C) To provide information that can be used to assess a government's accountability.  
 D) To fulfill the government's statutory duty to report on cash received and cash disbursed.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Learning Objective : 02-01 Describe the concepts related to the financial reporting requirements of t  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Conceptual Framework-Providing Useful Financial Reports  
Gradable : automatic

**99)** According to the GASB definition, which of the following represents an inflow of resources?

99) \_\_\_\_\_\_

A) Expenditures.   
 B) Revenues.  
 C) Assets.  
 D) Deferred inflows.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Learning Objective : 02-01 Describe the concepts related to the financial reporting requirements of t  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Conceptual Framework-Providing Useful Financial Reports  
Gradable : automatic

**100)** According to the GASB, information that is essential and useful to placing information in the correct context should be reported as which of the following?

100) \_\_\_\_\_\_

A) Required supplementary information.   
 B) Supplementary information.  
 C) Notes to the financial statements.  
 D) A line item on the financial statements.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Learning Objective : 02-01 Describe the concepts related to the financial reporting requirements of t  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Conceptual Framework-Providing Useful Financial Reports  
Gradable : automatic

**101)** Which of the following is *not* one of the methods recommended by the GASB *Concepts Statement 3* for communicating information to external users of government financial reports?

101) \_\_\_\_\_\_

A) Providing a popular report.   
 B) Recognition in the financial statements.  
 C) Presentation as required supplementary information.  
 D) Disclosure in the notes to the financial statements.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Learning Objective : 02-01 Describe the concepts related to the financial reporting requirements of t  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Conceptual Framework-Providing Useful Financial Reports  
Gradable : automatic

**102)** Which of the following activities is considered a core government activity?

102) \_\_\_\_\_\_

A) Finance and budget.   
 B) Central purchasing.  
 C) Culture and recreation.  
 D) Employee pension fund.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 02-02 Explain the purpose of the three major activity categories of a state or l  
Topic : Activities of Government  
Gradable : automatic

**103)** Which of the following is *true* regarding financial reporting for internal service funds?

103) \_\_\_\_\_\_

A) Internal service funds are reported in the governmental fund financial statements.   
 B) Internal service funds are aggregated and reported as a major fund in the proprietary fund financial statements.  
 C) Internal service funds are generally reported in the Business-type Activities column of the government-wide financial statements.  
 D) Internal service funds are generally reported in the Governmental Activities column of the government-wide financial statements.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 02-03 Explain the Governmental Accounting Standards Board's (GASB) integrated ac  
Gradable : automatic

**104)** Which of the following is *not* a characteristic of a fund as defined by GASB standards?

104) \_\_\_\_\_\_

A) An accounting entity.   
 B) A fiscal entity.  
 C) A reporting entity.  
 D) A self-balancing set of accounts.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Fund Reporting  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : automatic

**105)** In accounting for state and local governments the modified accrual basis is required for

105) \_\_\_\_\_\_

A) Proprietary and fiduciary funds.   
 B) Governmental funds.  
 C) Governmental and fiduciary funds.  
 D) Governmental and internal service funds.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 02-03 Explain the Governmental Accounting Standards Board's (GASB) integrated ac  
Gradable : automatic

**106)** Under the modified accrual basis of accounting, revenues should be recognized when

106) \_\_\_\_\_\_

A) Earned.   
 B) Collected in cash.  
 C) Authorized by the budget ordinance.  
 D) Measurable and available.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 02-03 Explain the Governmental Accounting Standards Board's (GASB) integrated ac  
Gradable : automatic

**107)** Which of the following funds is a governmental fund-type?

107) \_\_\_\_\_\_

A) Private-purpose trust fund.   
 B) Internal service fund.  
 C) Permanent fund.  
 D) Enterprise fund.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 02-03 Explain the Governmental Accounting Standards Board's (GASB) integrated ac  
Gradable : automatic

**108)** Financial resources set aside to pay principal and interest on general long-term debt may be accounted for in which of the following fund types?

108) \_\_\_\_\_\_

A) Private-purpose trust fund.   
 B) Debt service fund.  
 C) Principal and interest trust fund.  
 D) Internal service fund.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Fund Reporting  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : automatic

**109)** Which of the following is a proprietary fund?

109) \_\_\_\_\_\_

A) Special revenue fund.   
 B) Investment trust fund.  
 C) Debt service fund.  
 D) Internal service fund.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 02-03 Explain the Governmental Accounting Standards Board's (GASB) integrated ac  
Gradable : automatic

**110)** Which of the following is *not* a fund financial statement?

110) \_\_\_\_\_\_

A) Statement of activities.   
 B) Balance sheet.  
 C) Statement of revenues, expenses, and changes in net position.  
 D) Statement of changes in net position.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 02-03 Explain the Governmental Accounting Standards Board's (GASB) integrated ac  
Gradable : automatic

**111)** Which of the following is a fiduciary fund?

111) \_\_\_\_\_\_

A) Investment trust fund.   
 B) Special revenue fund.  
 C) Debt service fund.  
 D) Enterprise fund.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 02-03 Explain the Governmental Accounting Standards Board's (GASB) integrated ac  
Gradable : automatic

**112)** Which of the following funds would be most appropriate when accounting for an activity that provides goods or services to the public for a fee that is intended to make the activity self-supporting?

112) \_\_\_\_\_\_

A) Investment trust fund.   
 B) Enterprise fund.  
 C) Internal service fund.  
 D) Special revenue fund.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Fund Reporting  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : automatic

**113)** Which of the following funds should be used if resources provided by a federal grant must be set aside and used for counseling youthful offenders?

113) \_\_\_\_\_\_

A) Private-purpose trust fund.   
 B) Enterprise fund.  
 C) Internal service fund.  
 D) Special revenue fund.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Fund Reporting  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : automatic

**114)** Which of the following funds would be used to account for an activity that provides centralized purchasing and sales of goods or services to other departments or agencies of the government on a cost-reimbursement basis?

114) \_\_\_\_\_\_

A) Enterprise fund.   
 B) Fiduciary fund.  
 C) Internal service fund.  
 D) Permanent fund.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Fund Reporting  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : automatic

**115)** Which of the following funds would record depreciation of capital assets?

115) \_\_\_\_\_\_

A) Special revenue fund.   
 B) Permanent fund.  
 C) Internal service fund.  
 D) Custodial fund.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Fund Reporting  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : automatic

**116)** Capital assets used by departments accounted for by the General Fund of a governmental unit should be accounted for in which of the following?

116) \_\_\_\_\_\_

A) The General Fund.   
 B) The governmental activities journal.  
 C) The business-type activities journal.  
 D) The general capital assets fund.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 02-03 Explain the Governmental Accounting Standards Board's (GASB) integrated ac  
Gradable : automatic

**117)** Capital assets used by an enterprise fund should be accounted for in the

117) \_\_\_\_\_\_

A) Enterprise fund and depreciation on the capital assets should be recorded.   
 B) Business-type activities journal but no depreciation on the capital assets should be recorded.  
 C) Governmental activities journal and depreciation on the capital assets should be recorded.  
 D) Enterprise fund but no depreciation on the capital assets should be recorded.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Fund Reporting  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : automatic

**118)** Which of the following funds are proprietary funds?

118) \_\_\_\_\_\_

A) Enterprise funds, investment trust funds, pension trust funds, and the General Fund.   
 B) Enterprise funds and internal service funds.  
 C) Internal service funds, special revenue funds, and enterprise funds.  
 D) Proprietary funds are not used in governmental accounting.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 02-03 Explain the Governmental Accounting Standards Board's (GASB) integrated ac  
Gradable : automatic

**119)** Which of the following funds are governmental funds?

119) \_\_\_\_\_\_

A) General Fund, special revenue funds, capital projects funds, debt service funds, and private-purpose trust funds.   
 B) General Fund, special revenue funds, private-purpose trust funds.  
 C) General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.  
 D) General Fund, special revenue funds, capital projects funds, debt service funds, and internal service funds.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 02-03 Explain the Governmental Accounting Standards Board's (GASB) integrated ac  
Gradable : automatic

**120)** In what fund would the activities of a water utility department, which offers its services to the general public on a user charge basis be recorded?

120) \_\_\_\_\_\_

A) An enterprise fund.   
 B) A special revenue fund.  
 C) The General Fund.  
 D) An internal service fund.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Fund Reporting  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : automatic

**121)** The measurement focus and basis of accounting that are most *unlike* those used by business entities are those used by

121) \_\_\_\_\_\_

A) Governmental funds.   
 B) Fiduciary funds.  
 C) Proprietary funds.  
 D) Contribution funds.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 02-03 Explain the Governmental Accounting Standards Board's (GASB) integrated ac  
Gradable : automatic

**122)** Which of the following governmental funds *must* be reported as a major fund?

122) \_\_\_\_\_\_

A) The General Fund.   
 B) Any fund with total assets, liabilities, revenues, or expenditures that are 10% or more of the General Fund and 5% or more of total General Fund and Business-type Activities.  
 C) The government may opt to include or exclude any fund it choses as a major fund.  
 D) Only the General Fund and special revenue funds that meet the 10% and 5% size criteria.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Fund Reporting  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : automatic

**123)** Which of the following bases of accounting should be used in preparing fund financial statements?

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Governmental funds** | **Proprietary funds** | **Fiduciary funds** |
| **A)** | Modified accrual | Accrual | Modified accrual |
| **B)** | Modified accrual | Modified accrual | Modified accrual |
| **C)** | Modified accrual | Accrual | Accrual |
| **D)** | Accrual | Accrual | Accrual |

123) \_\_\_\_\_\_

A) Choice A   
 B) Choice B  
 C) Choice C  
 D) Choice D

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 02-03 Explain the Governmental Accounting Standards Board's (GASB) integrated ac  
Gradable : automatic

**124)** A major governmental fund is one that has one or more elements (e.g., assets, liabilities, revenues, or expenditures) that is at least:

124) \_\_\_\_\_\_

A) Five percent of the corresponding element(s) of total governmental funds and 10 percent of the corresponding element(s) of total governmental and enterprise funds combined.   
 B) Ten percent of the corresponding element(s) of total governmental funds and 10 percent of the corresponding element(s) of total governmental and enterprise funds combined.  
 C) Five percent of the corresponding element(s) of total governmental funds and five percent of the corresponding element(s) of total governmental and enterprise funds combined.  
 D) Ten percent of the corresponding element(s) of total governmental funds and 5 percent of the corresponding element(s) of total governmental and enterprise funds combined.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Fund Reporting  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : automatic

**125)** A city received resources that the state indicates can only be used for public works projects, such as road construction. Assuming the resources have not been expended by year end, how would the resources the city received be shown in the city’s fund balances?

125) \_\_\_\_\_\_

A) Designated Fund Balance.   
 B) Committed Fund Balance.  
 C) Restricted Fund Balance.  
 D) Assigned Fund Balance.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Fund Reporting  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : automatic

**126)** Which of the following would be reported as a nonspendable fund balance?

126) \_\_\_\_\_\_

A) Inventory.   
 B) Restricted assets.  
 C) Assets whose use is limited.  
 D) Capital assets.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Fund Reporting  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : automatic

**127)** Under GASB standards which of the following funds can report a positive amount for unassigned fund balance?

127) \_\_\_\_\_\_

A) Capital projects fund.   
 B) Special revenue fund.  
 C) General Fund.  
 D) All of the options.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Fund Reporting  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : automatic

**128)** Use the following information to determine whether the Development Special Revenue and the Debt Service Funds should be reported as major funds based on asset amounts provided.

|  |  |
| --- | --- |
| **Development Special Revenue Fund Assets** | $740,000 |
| **Debt Service Fund Assets** | $150,000 |
| **Total Governmental Fund Assets** | $7,500,000 |
| **Total Governmental Fund and Enterprise Fund Assets** | $8,750,000 |

128) \_\_\_\_\_\_

A) The Development Special Revenue Fund should be reported as major.   
 B) The Debt Service Fund should be reported as major.  
 C) Both the Development Special Revenue Fund and the Debt Service Fund should be reported as major.  
 D) Neither the Development Special Revenue Fund nor the Debt Service Fund should be reported as major.

**Question Details**AACSB : Knowledge Application  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Difficulty : 3 Hard  
AICPA : FN Measurement  
Bloom's : Apply  
Topic : Fund Reporting  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : automatic

**129)** Use the following information to determine whether the Fire House Capital Projects Fund should be reported as a major fund based on expenditure amounts provided.

|  |  |
| --- | --- |
| **Fire House Capital Projects Fund expenditures** | $2,740,000 |
| **General Fund expenditures** | $27,150,000 |
| **Total of all other governmental fund expenditures** | 1,433,000 |
| **Total of enterprise fund expenditures** | $7,500,000 |

129) \_\_\_\_\_\_

A) Yes, it is more than 10 percent of the General Fund expenditures.   
 B) No, it is less than 10 percent of the total governmental fund expenditures.  
 C) Yes, it is more than 5 percent of the total governmental fund expenditures.  
 D) There is insufficient information to determine if the major fund criteria are met.

**Question Details**AACSB : Knowledge Application  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Difficulty : 3 Hard  
AICPA : FN Measurement  
Bloom's : Apply  
Topic : Fund Reporting  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : automatic

**130)** Which of the following is not one of the seven elements defined by the GASB concept statements?

130) \_\_\_\_\_\_

A) Deferred inflows of resources.   
 B) Expenses.  
 C) Assets.  
 D) Net position.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Learning Objective : 02-01 Describe the concepts related to the financial reporting requirements of t  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Conceptual Framework-Providing Useful Financial Reports  
Gradable : automatic

**131)** The GASB concept statements indicate that in certain instances a remeasured value for an asset or liability should be reported on the financial statements. Which of the following is not one of the methods recommended by the GASB for remeasured amounts?

131) \_\_\_\_\_\_

A) Historical cost.   
 B) Lower of cost or market.  
 C) Fair value.  
 D) Replacement cost.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Learning Objective : 02-01 Describe the concepts related to the financial reporting requirements of t  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Conceptual Framework-Providing Useful Financial Reports  
Gradable : automatic

**132)** The GASB recommends that budget-to-actual comparison information be provided as which of the following?

132) \_\_\_\_\_\_

A) A stand-alone financial statement.   
 B) A schedule in the notes to the financial statements.  
 C) As a part of the basic financial statements.  
 D) As a required supplementary information schedule.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Fund Reporting  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : automatic

**133)** The GASB requires budget-to-actual comparison information for which of the following?

133) \_\_\_\_\_\_

A) The General Fund.   
 B) All governmental funds.  
 C) The General Fund and major special revenue funds with legally adopted budgets.  
 D) All special revenue, debt service and capital projects funds with legally adopted budgets.

**Question Details**AACSB : Knowledge Application  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Topic : Fund Reporting  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : automatic

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.  
134)** Following are some of the county’s governmental funds. The county has asked you to determine if any of the funds listed should be classified as major funds based on the GASB size criteria. Clearly indicate which fund(s) you believe should be classified as major and provide support for your choice(s).

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **General Fund** | **Special**  **Revenue Fund** | **Debt Service Fund** | **Total of all**  **Governmental Funds** | **Total of all**  **Governmental & Enterprise Funds** |
| **Assets** | 12,000,000 | 1,000,000 | 500,000 | 15,000,000 | 21,000,000 |
| **Liabilities** | 3,000,000 | 250,000 | 30,000 | 4,580,000 | 5,890,000 |
| **Revenues** | 10,000,000 | 600,000 | 1,450,000 | 13,770,000 | 17,123,000 |
| **Expenditures/Expenses** | 9,859,000 | 725,000 | 1,300,000 | 13,460,000 | 16,665,000 |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Question Details**AACSB : Knowledge Application  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Difficulty : 3 Hard  
AICPA : FN Measurement  
Bloom's : Apply  
Topic : Fund Reporting  
Learning Objective : 02-04 The purpose of major fund reporting and the criteria used to determine whe  
Gradable : manual

**ESSAY. Write your answer in the space provided or on a separate sheet of paper.  
135)** Explain the essential differences between general purpose and special purpose governments and give several examples of each.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Question Details**AICPA : BB Industry  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-04 Explain the minimum requirements for general purpose external financial re  
Topic : Financial Reporting of State and Local Governments  
AACSB : Communication  
Gradable : manual

**136)** Identify and explain the characteristics that distinguish governments and not-for-profit entities from business entities.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Question Details**AICPA : BB Industry  
Learning Objective : 01-01 Identify and explain the characteristics that distinguish government and n  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
AACSB : Communication  
Topic : Differences Between Governmental and Not-for-profit Organization  
Gradable : manual

**137)** GASB and FASB standards are concerned only with external financial reporting; whereas, FASAB standards are concerned with both internal and external financial reporting. Do you agree with this statement? Why or why not?

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**Question Details**AICPA : BB Industry  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-03 Contrast and compare the objectives of financial reporting for (1) state a  
Topic : Objectives of Financial Reporting  
AACSB : Communication  
Gradable : manual

**138)** Why should persons interested in reading financial reports of governments and not-for-profit entities be familiar with standards set by the GASB and the FASB?

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**Question Details**AICPA : BB Industry  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-03 Contrast and compare the objectives of financial reporting for (1) state a  
Topic : Objectives of Financial Reporting  
AACSB : Communication  
Gradable : manual

**139)** Explain in your own words why accountability is the cornerstone of all financial reporting in government.

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**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-03 Contrast and compare the objectives of financial reporting for (1) state a  
Topic : Objectives of Financial Reporting  
AACSB : Communication  
Gradable : manual

**140)** In your own words state the primary needs the GASB believes external users have for financial reports of state and local governments. For contrast, state the uses the FASB believes external users have for the financial reports of not-for-profit organizations.

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**Question Details**AICPA : BB Industry  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-03 Contrast and compare the objectives of financial reporting for (1) state a  
Topic : Objectives of Financial Reporting  
AACSB : Communication  
Gradable : manual

**141)** Describe the difference between a comprehensive annual financial report (CAFR) and GASB general purpose external financial reporting for state and local governments.

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**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-04 Explain the minimum requirements for general purpose external financial re  
Topic : Financial Reporting of State and Local Governments  
AACSB : Communication  
Gradable : manual

**142)** Identify and briefly explain the four sections of the performance and accountability report (PAR) that the Office of Management and Budget requires major federal departments and agencies to prepare.

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**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-05 Identify and describe the required financial statements for the federal go  
Topic : Financial Reporting of the Federal Government  
AACSB : Communication  
Gradable : manual

**143)** Explain the concepts of fiscal and operational accountability and the basis of accounting used to capture each concept.

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**Question Details**Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-04 Explain the minimum requirements for general purpose external financial re  
Topic : Financial Reporting of State and Local Governments  
AACSB : Communication  
Gradable : manual

**144)** Describe the comprehensive annual financial report (CAFR). What are the sections of the report and which components of the organization should it include? Is a CAFR required?

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**Question Details**AICPA : BB Industry  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-04 Explain the minimum requirements for general purpose external financial re  
Topic : Financial Reporting of State and Local Governments  
AACSB : Communication  
Gradable : manual

**145)** For each of the following descriptive phrases, indicate the type of fund from the list of funds provided.   
 A.Governmental funds  
 B.Proprietary funds  
 C.Fiduciary funds  
 \_\_\_\_\_ 1. Includes permanent funds held in trust to be used for public purposes   
 \_\_\_\_\_ 2. Sometimes referred to as self-supporting or business-like funds   
 \_\_\_\_\_ 3. Any fund held by a government in a custodial or trustee relationship for an external party   
 \_\_\_\_\_ 4. Used when the government collects taxes or amounts to be invested for external parties   
 \_\_\_\_\_ 5. Enterprise and internal service funds

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Question Details**AACSB : Knowledge Application  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Learning Objective : 02-04 Discuss fund reporting.  
Topic : Fund Reporting  
Gradable : manual

**146)** For each of the following scenarios, indicate how they would be classified for fund balance reporting purposes using the fund balance classification list provided.   
 A.Nonspendable  
 B.Restricted  
 C.Committed  
 D.Assigned  
 E.Unassigned  
 \_\_\_\_\_ 1. Bond proceeds of $15,000,000 that must be used for construction of a fire substation remain unspent at the end of the fiscal year.   
 \_\_\_\_\_ 2. Prepaid rent of $6,000 remains at the end of the fiscal year.   
 \_\_\_\_\_ 3. The city council adopted a plan to set aside 2% of revenues over the next three years to help build cash reserves. At the end of the fiscal year 2% of the revenues were set aside.   
 \_\_\_\_\_ 4. The state transportation department provided $1,000,000 in state funds to be used for street widening. At the end of the fiscal year $750,000 remained unspent.   
 \_\_\_\_\_ 5. The county received a $3,000,000 endowment during the year.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Question Details**AACSB : Knowledge Application  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
AICPA : FN Reporting  
Learning Objective : 02-04 Discuss fund reporting.  
Topic : Fund Reporting  
Gradable : manual  
Bloom's : Apply  
Difficulty : 3 Hard

**147)** List the basic financial statements required by GASB standards and briefly explain their purposes.

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**Question Details**AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 02-03 Explain the Governmental Accounting Standards Board's (GASB) integrated ac  
AACSB : Communication  
Gradable : manual

**148)** "The primary purpose of an accounting system for a state or a local government is to make it possible for financial statements to demonstrate compliance with finance-related legal and contractual provisions." Explain why you believe this statement to be correct or incorrect.

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**Question Details**AICPA : FN Reporting  
Learning Objective : 02-01 Describe the concepts related to the financial reporting requirements of t  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
AACSB : Communication  
Topic : Conceptual Framework-Providing Useful Financial Reports  
Gradable : manual

**149)** Explain the difference between measurement focus and basis of accounting. Also, explain the difference between the economic resources measurement focus and the current financial resources measurement focus as well as the difference between the accrual and modified accrual bases of accounting. Which funds and government-wide activities use each focus and each basis?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Question Details**AICPA : FN Reporting  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 02-03 Explain the Governmental Accounting Standards Board's (GASB) integrated ac  
AACSB : Communication  
Gradable : manual

**150)** List the seven fund financial statements that are required as part of the basic financial statements by GASB standards. What measurement focus and basis of accounting should be used in preparing each of these statements?

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**Question Details**AICPA : FN Reporting  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : Financial Reporting Model  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Learning Objective : 02-03 Explain the Governmental Accounting Standards Board's (GASB) integrated ac  
AACSB : Communication  
Gradable : manual

**151)** Explain the nature of the three major activity categories of a state or local government: governmental activities, business-type activities, and fiduciary activities. Provide examples of each.

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**Question Details**AICPA : FN Reporting  
Accessibility : Keyboard Navigation  
Accessibility : Screen Reader Compatible  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 02-02 Explain the purpose of the three major activity categories of a state or l  
AACSB : Communication  
Topic : Activities of Government  
Gradable : manual

**Answer Key**Test name: Accounting for Governmental 19e ch01 &amp; ch02

1) TRUE

2) FALSE

3) TRUE

4) FALSE

5) FALSE

6) TRUE

7) TRUE

8) FALSE

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67) A

68) B

69) C

70) A

71) B

72) A

73) A

74) A

75) B

76) D

77) A

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101) A

102) C

103) D

104) C

105) B

106) D

107) C

108) B

109) D

110) A

111) A

112) B

113) D

114) C

115) C

116) B

117) A

118) B

119) C

120) A

121) A

122) A

123) C

124) D

125) C

126) A

127) C

128) D

129) B

130) B

131) B

132) D

133) C

134) Debt Service Fund – The size criteria states that a fund must be at least 10% of the total of all governmental funds for at least one of the elements (assets, liabilities, revenues, expenditures/expenses), and it must be at least 5% of the total of all governmental funds and enterprise funds for the same element. The debt service fund meets the size criteria for revenues since 10% of the total of all governmental funds is $1,377,000 and 5% of the total of all governmental and enterprise funds is $856,150, both of which the debt service fund exceeds. (The thresholds for the other three elements are: assets—10% is $1,500,000, 5% is $1,050,000; liabilities—10% is $458,000, 5% is $294,500; expenditures/expenses—10% is $1,346,000, 5% is $833,250.)  
   
 General Fund – the General Fund is always classified as a major fund and it meets the size criteria for all of the elements.

135) General purpose governments are those that provide many categories of services to residents. These include states, counties, municipalities, and townships. Special purpose governments provide only a single or, at most, a few functions. Examples of special purpose governments are special political subdivisions or districts that provide education, drainage and flood control, irrigation, soil and water conservation, fire protection, and water supply. Public colleges and universities are another example.

136) Governments and not-for-profit entities (nonbusiness entities) do not have owners who expect a return on their investment. Resource providers to these entities do not expect to be repaid or to receive economic benefits in proportion to the resources provided. Governments and not-for-profit entities do not operate to make a profit on goods or services provided. On the other hand, business entities do have owners whose interests can be transferred to others and who expect a share of the profits from operating the business and a residual distribution of the net assets in the case of liquidation of the organization (see FASB Concepts Statements).

137) Agree. Both the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB) issue standards for external users of financial information—those who lack the authority to prescribe information they want and who must rely on the information management communicates to them. By contrast, the Federal Accounting Standards Advisory Board (FASAB) has identified users who are both internal and external to the government: citizens, the Congress, executives, and program managers. Not surprisingly, then, its standards address both internal and external financial information needs.

138) Financial reports can be read intelligently only by persons who understand the real meaning of the terms used in the reports, and who understand the standards that guide the presentation of financial information. Since the GASB standards apply to government entities and the FASB standards apply to nongovernmental not-for-profit entities it is important for those interested in reading the reports of such entities to have knowledge of both GASB and FASB standards.

139) Accountability is based on the belief that the citizenry has a "right to know" about public resources raised during a fiscal period and the purposes for which the resources were used. In a democratic society, public officials have an obligation to be accountable to the public.

140) The GASB believes that external users of government financial reports need to (1) compare actual financial results with the legally adopted budget; (2) assess financial condition and results of financial operations; (3) assist in determining compliance with finance-related laws, rules, and regulations; and (4) assist in evaluating efficiency and effectiveness. The FASB believes that financial reports of not-for-profit organizations should provide information (1) useful in making resource allocation decisions, (2) useful in assessing services and ability to provide services, (3) useful in assessing management stewardship and performance, and (4) useful in assessing economic resources, obligations, net resources, and changes in them.

141) By definition, the comprehensive annual financial report (CAFR) is more inclusive than the general purpose external financial information described in GASB standards. The CAFR presents three types of information: (1) introductory material from the entity's management, such as transmittal letters, organizational charts, and awards; (2) financial statements (including the financial information required by the GASB); and (3) statistical information, such as demographic information about the entity and summaries of tax rates and property assessed values over time. By contrast, GASB standards require general purpose external reports to include: (1) management discussion & analysis (MD&A), (2) government-wide financial statements, (3) fund financial statements, (4) notes to those statements, and (5) other required supplementary information (RSI).

142) The four parts and an explanation of their content are:  
 1. The management’s discussion and analysis – it serves as a brief overview of the entire PAR and clearly describes the department or agency’s mission and organizational structure; its performance goals, objectives, and results; analysis of its financial statements; and analysis of information about internal controls and legal compliance.  
 2. The annual performance report (APR) (or performance section) – it provides information about the agency’s performance and progress in achieving its performance goals.  
 3. Basic financial statements – these include a balance sheet, statement of net cost (essentially an operating statement format that places expenses over revenues—program costs minus earned revenues = net cost), statement of changes in net position (similar to changes in owners’ equity in business accounting), statement of budgetary resources, statement of custodial activity, and statement of social insurance.  
 4. Other accompanying information – this includes information such as perspectives on the tax burden, size of the tax gap, challenges facing management, and revenue forgone.

143) Fiscal accountability focuses on the short-term flow of resources, or how government has used its resources in the short-term; whereas, operational accountability focuses on the efficient and effective use of resources by the government. To help capture these different types of accountability different bases of accounting are used. Fiscal accountability is captured using the modified accrual basis of accounting where revenues are recognized in the period they are measurable and available for spending and expenditures (not expenses) are recognized when they create an obligation to be paid from current financial resources. Operational accountability is captured using accrual accounting. Under accrual accounting the focus is on the flow of economic resources allowing revenues and expenses to be recognized when an exchange of economic resources occurs.

144) The CAFR is recommended, but not required. The CAFR is comprised of three sections: (1) introductory section, (2) financial section, and (3) statistical section. The minimum financial reporting requirements include (1) MD&A, (2) basic financial statements, and (3) required supplementary information other than the MD&A.

145) 1.A, 2.B, 3.C, 4.C, 5.B

146) 1.B, 2.A, 3.D, 4.B, 5.A

147) The basic financial statements include two government-wide financial statements, seven fund financial statements, and notes thereto. The government-wide statements are a statement of net position and statement of activities designed to report on the operational accountability of the government as a whole. The fund financial statements that follow are designed to report on the government's fiscal accountability for spending according to legal budgets, laws, and agreements with resource providers. A balance sheet and statement of revenues, expenditures, and changes in fund balances are required for governmental-type funds, as well as a reconciliation of the change in fund balances to change in net position at the government-wide level. A statement of net position; a statement of revenues, expenses, and changes in fund net position; and statement of cash flows are required for proprietary-type funds. A statement of net position and statement of changes in net position are required for fiduciary funds.

148) The statement is not correct. The GASB specifies that a governmental accounting system must make it possible both to prepare statements in conformity with GAAP and to prepare legal compliance reports. The former are the basic financial statements on which auditors express an opinion; the latter are special purpose reports that may or may not be accompanied by auditors' reports.

149) Measurement focus describes what is measured; that is, the nature of the resources, claims against resources, and flows of resources that are measured and reported by a fund or activity. The basis of accounting describes when things are measured. The economic resources measurement focus reports on the balances and flows of both current and noncurrent assets and liabilities, whereas the current financial resources focus reports only on the balances and flows of current assets and liabilities. The accrual basis of accounting recognizes revenues when earned and expenses when incurred, where the modified accrual basis recognizes revenues when measurable and available for current spending and expenditures when a current liability has been incurred. Governmental funds use the current financial resources measurement focus, and proprietary and fiduciary funds use the economic resources measurement focus. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting. Governmental and business-type activities at the government-wide level report on net position and activities using the economic resources measurement focus and the accrual basis of accounting.

150) These seven fund statements are required in the basic financial statements (assuming that an entity has funds in each of the three fund types):  
 ● Balance sheet—governmental funds  
 ● Statement of revenue, expenditures, and changes in fund balances—governmental funds  
 ● Statement of net position—proprietary funds  
 ● Statement of revenues, expenses, and changes in fund net position—proprietary funds  
 ● Statement of cash flows—proprietary funds  
 ● Statement of fiduciary net position  
 ● Statement of changes in fiduciary net position  
 In addition, a reconciliation of (1) the total fund balance of governmental funds from the balance sheet—governmental funds to the governmental activities net position from the government-wide statement of net position, and (2) the change in total fund balances of governmental funds from the statement of revenue, expenditures, and changes in fund balances—governmental funds to the change in governmental activities net position from the government-wide statement of activities, are required on the face of the financial statements or as separate schedules.  
 The governmental funds are accounted for using the current financial resources measurement focus and modified accrual basis of accounting. The proprietary and fiduciary funds are accounted for using the economic resources measurement focus and accrual basis of accounting.

151) Governmental activities are those that are core governmental services, together with general administrative support. Examples include public safety, public works (e.g., road and bridge maintenance), parks and recreation, cultural, and social services. Business-type activities are those that are self-supporting through user charges for services they provide, although operating subsidies from general tax revenues are not uncommon. Typical examples include public utilities, such as water and sewer, transportation systems, golf courses, and swimming pools. Fiduciary activities are those in which the government acts in a fiduciary capacity, either as an agent or trustee, for parties outside the government. Examples include trust funds that benefit individuals and organizations outside of the government.