Essentials of Accounting for Governmental and Not-for-Profit Organizations 14th edition Copley Test Bank

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Student name:_____

TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.

1) A Comprehensive Annual Financial Report (CAFR) would include an introductory section, management's discussion and analysis, basic financial statements, required supplementary information other than MD&A, combining and individual fund statements, narrative explanations, and statistical section.

◎ true
◎ false

2) The three major sections of a CAFR are the Introductory, Financial, and Statistical sections.

◎ true
◎ false

3) The introductory and statistical sections of a CAFR are required to be audited.

◎ true
◎ false

4) State and local governments are **not** required to prepare a CAFR.

◎ true
◎ false

5) Combining statements are required whenever a non-major column is used in one of the fund financial statements.

◎ true
◎ false

6) A complete CAFR includes combining financial statements to reflect greater detail of nonmajor funds.

◎ true
◎ false

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7) In addition to the government-wide statements, governments are required to prepare fund financial statements for governmental, proprietary and fiduciary funds.

- ◎ true
- ◎ false

8) In addition to the government-wide statements, governments are required to prepare fund financial statements for governmental funds only.

- ◎ true
- ◎ false

9) The General Fund is not always considered to be a major fund when preparing fund basis financial statements.

- ◎ true
- ◎ false

10) With respect to fund basis financial statements, governmental funds are considered to be a major fund when total assets, liabilities, revenues and expenditures combined are at least 10% of the total for the governmental funds category.

- ◎ true
- ◎ false

11) With respect to fund basis financial statements, a government may only designate a fund to be a major fund if it meets the size thresholds established by GASB.

- ◎ true
- ◎ false

12) With respect to fund basis financial statements, a government may designate any fund to be a major fund if reporting that fund separately would be useful.

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◎ true
◎ false

13) When preparing fund basis financial statements, funds not reported separately are aggregated and reported in a single column under the label *nonmajor funds*.

◎ true
◎ false

14) When preparing fund basis financial statements, funds not reported separately are reported individually by function.

◎ true
◎ false

15) Fiduciary fund statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

◎ true
◎ false

16) Governmental fund statements are prepared using the economic financial resources measurement focus and modified accrual basis of accounting.

◎ true
◎ false

17) According to the GASB, a primary government can only be a state or a general-purpose local government, such as a city or county.

◎ true
◎ false

18) Blending of financial information is done when component units and the primary government are so intertwined that they are essentially the same.

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◎ true
◎ false

19) The statistical section of the CAFR contains the combining schedules of non-major funds.

◎ true
◎ false

20) The government-wide financial statements present the government as a whole, including component units and fiduciary activities.

◎ true
◎ false

21) The basic financial statements of a state or local governmental unit include the MD&A, government-wide statements, fund statements, and the notes.

◎ true
◎ false

22) Governmental-type fund financial statements include the Balance Sheet and the Statement of Revenues, Expenditures, Changes in Fund Balances, and a Statement of Cash Flows.

◎ true
◎ false

23) Governmental-type fund financial statements do **not** include a Statement of Cash Flows.

◎ true
◎ false

24) Governmental fund financial statements include columns for the General Fund and all other "major" governmental funds.

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◎ true
◎ false

25) The total fund balances reported in the total column of the fund basis statements must be reconciled to the total Net Position presented in the governmental activities column of the government-wide Statement of Net Position.

◎ true
◎ false

26) Entities which are determined to be component units of state and local governmental units must be discretely presented in the financial statements.

◎ true
◎ false

27) The government-wide financial statements are prepared using the current resources measurement focus and accrual basis of accounting.

◎ true
◎ false

28) The government-wide financial statements do **not** include a Statement of Cash Flows.

◎ true
◎ false

29) Prior-year data is required for government-wide financial statements.

◎ true
◎ false

30) The governmental fund statements are prepared using the current financial resources measurement focus and accrual basis of accounting.

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◎ true
◎ false

31) The fiduciary fund financial statements are prepared using the economic financial resources measurement focus and accrual basis of accounting.

◎ true
◎ false

32) The General Fund is always a major fund for purposes of financial reporting.

◎ true
◎ false

33) Notes to the financial statements must distinguish between the primary government and discretely presented component units.

◎ true
◎ false

34) General purpose governments engaged in both governmental and business type activities prepare governmental fund, proprietary fund and government-wide financial statements.

◎ true
◎ false

35) Only governmental fund statements include separate columns for discretely presented component units.

◎ true
◎ false

36) Governmental accounting standards require the statistical section.

◎ true
◎ false

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37) The Government-wide financial statements include a separate column for fiduciary fund information.

- ◎ true
- ◎ false

38) Management's Discussion and Analysis (MD&A) in The Comprehensive Annual Financial Report (CAFR) is part of the Financial Section.

- ◎ true
- ◎ false

39) Government-wide statements are to be prepared using the economic resources measurement focus and accrual basis of accounting.

- ◎ true
- ◎ false

40) Government-wide statements are to be prepared using the current financial resources measurement focus and modified accrual basis of accounting.

- ◎ true
- ◎ false

41) Prior-year data may be presented but are not required on government-wide statements.

- ◎ true
- ◎ false

42) Prior-year data are required to be presented on government-wide statements.

- ◎ true
- ◎ false

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43) Proprietary funds are required to prepare a Statement of Cash Flows from operating activities using the direct method.

◎ true
◎ false

44) A Comprehensive Annual Financial Report for a state or local governmental unit should contain an introductory section, a financial section, and a statistical section.

◎ true
◎ false

45) A government may **not** selectively designate any fund to be a major fund even if reporting the fund separately would be useful.

◎ true
◎ false

46) The Comprehensive Annual Financial Report (CAFR) contains four major sections: introductory, financial, supplementary, and statistical.

◎ true
◎ false

47) The fund balance reported in the Governmental Funds Balance Sheet must equal the total Net Position in the governmental activities column of the government-wide Statements of Net Position.

◎ true
◎ false

48) Fund balance is an account title used only in governmental funds to indicate the excess of assets over liabilities.

◎ true
◎ false

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49) The Governmental Accounting Standards Board considers the financial reporting entity to include the primary government, but **not** its component units.

◎ true
◎ false

50) GASB requires governments to prepare cash flows from operating activities using the indirect method for a proprietary fund.

◎ true
◎ false

51) When performing an audit of the CAFR, auditors review the material to establish that it is not misleading in relation to the basic statements but do not include the MD&A in the scope of the audit.

◎ true
◎ false

52) Fiduciary funds are not included in the government-wide statements.

◎ true
◎ false

53) Prior year balances are required to be presented in government-wide statements.

◎ true
◎ false

54) Permanent funds are not presented as part of the government-wide statements.

◎ true
◎ false

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55) Internal service funds typically are not included in the governmental activities column on the government-wide statements.

◎ true
◎ false

56) Because proprietary funds use a different basis of accounting than the government-wide statements, there must be a reconciliation between the two sets of statements.

◎ true
◎ false

57) Governments who prepare government-wide statements are not required to prepare separate fund-level financial statements within the three categories of funds: governmental, proprietary, and fiduciary.

◎ true
◎ false

MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

58) Which of the following is true regarding the proprietary fund financial statements?

A) Proprietary fund financial statements include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, and Statement of Cash Flows.

B) Normally, a reconciliation is required between the proprietary fund financial statements and the business-type activities column in the government-wide financial statements.

C) The Statement of Net Position reflects equity as contributed equity and retained earnings.

D) The Statement of Cash Flows may be prepared using either the direct or indirect methods.

59) Which of the following is true regarding the fiduciary fund financial statements?

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A) Fiduciary fund financial statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

B) Fiduciary fund financial statements reflect equity as reserved and unreserved.

C) Custodial funds are reported only on the Statement of Changes in Fiduciary Net Position.

D) Fiduciary fund financial statements include the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

60) Which of the following is **not** considered Required supplementary Information (RSI)?

A) Notes to the financial statements.
B) Budgetary Comparison Schedule.
C) Management's Discussion and Analysis.
D) None of the choices; all are considered RSI.

61) Which of the following is considered Required supplementary Information (RSI)?

A) Management's Discussion and Analysis.
B) Budgetary Comparison Schedule.
C) Schedule of Risk Management Activities.
D) All of the choices are considered RSI.

62) Governmental-type funds label the excess of assets over liabilities on the balance sheet as:

A) Net Position.
B) Net Fund Balance and Liabilities.
C) Fund Balance.
D) Assets Net of Liabilities.

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63) In addition to the government-wide statements, governments are required to prepare fund financial statements for which of the following category of funds?

A) Proprietary funds.
B) Governmental type funds.
C) Fiduciary funds.
D) All of the choices are correct.

64) Which of the following is true regarding the Comprehensive Annual Financial Report (CAFR)?

A) The CAFR has three main sections: introductory, financial, and statistical.
B) Required supplementary Information includes a Budgetary Comparison Schedule for the General Fund and all major special revenue funds that have a legally adopted annual budget (unless a statement is prepared).
C) Both statements are true.
D) Both statements are false.

65) Which of the following is true regarding the government-wide statements?

A) The government-wide statements include a Statement of Net Position and a Statement of Activities.
B) The governmental activities portion of the government-wide statements is prepared using the current financial resources measurement focus and modified accrual basis of accounting.
C) Both statements are true.
D) Both statements are false.

66) Which of the following is true regarding the government-wide Statement of Net Position?

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A) Discretely presented component units are included in a separate column (or columns).

B) Net Position is displayed in three categories: net investment in capital assets, reserved, and unreserved.

C) Both statements are true.

D) Both statements are false.

67) Which of the following is true with respect to the General Fund?

A) The General Fund is considered to be a major fund if the combined total of assets, liabilities, revenues and expenses exceeds 10% of the total of all governmental funds.

B) The General Fund is considered to be a major fund when preparing fund basis financial statements if it bears a financial benefit or burden to the primary government.

C) The General Fund is always considered to be a major fund when preparing fund basis financial statements.

D) The General Fund is not reported as part of the CAFR.

68) With respect to the preparation of fund basis financial statements, governmental funds other than the General Fund are considered to be major when which of the following conditions exist?

A) With respect to fund basis financial statements, governmental funds are considered to be a major fund when total assets, liabilities, revenues, or expenditures of that individual governmental fund constitutes 10% of the total for the governmental fund category.

B) With respect to fund basis financial statements, governmental funds are considered to be a major fund when total assets, liabilities, revenues, or expenditures of that individual governmental or enterprise fund are 5% of the total of the governmental and enterprise categories, combined.

C) Both are choices required for a governmental fund to be a major fund.

D) Either choices would fulfill the requirements.

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69) With respect to the preparation of fund basis financial statements, governmental funds other than the General fund are considered to be major when which of the following conditions exist?

A) With respect to fund basis financial statements, governmental funds are considered to be a major fund when total assets, liabilities, revenues, or expenditures of the individual governmental fund under consideration constitutes 25% of the total for the governmental fund category.

B) With respect to fund basis financial statements, governmental funds are considered to be a major fund when total assets, liabilities, revenues, or expenditures of individual governmental or enterprise fund under consideration are 15% of the total of the governmental funds and enterprise categories, combined.

C) Both of the choices are required for a governmental fund to be a major fund.

D) Neither of the choices are correct.

70) Which of the following statements is false?

A) With respect to fund basis financial statements, a government may designate any fund to be a major fund if reporting that fund separately would be useful.

B) When preparing fund basis financial statements, any funds not reported separately are reported by function.

C) When preparing fund basis financial statements, any funds not reported separately are aggregated and reported in a single column under the label *non-major funds*.

D) In addition to the government-wide statements, governments are required to prepare fund financial statements for governmental, proprietary and fiduciary funds.

71) Governmental fund statements are prepared using:

A) Economic resources measurement focus and modified accrual basis of accounting.

B) Current financial resources measurement focus and modified accrual basis of accounting.

C) Economic resources measurement focus and accrual basis of accounting.

D) Current financial resources measurement focus and accrual basis of accounting.

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72) The total fund balances presented in Governmental Funds Statements are different from the total Net Position on the government-wide Statement of Net Position. Which of the following is **not** a reason for this difference?

A) The two statements have different bases of accounting
B) Capital assets used in government operations are not current financial resources and therefore are not reported in the funds
C) Some liabilities are not due and payable in the current period and are not reported in fund liabilities
D) Accrued Wages Payable at year end are reported on the statement of Net Position but are not reported in the fund statements

73) Which of the following is true regarding GASB's definition of the financial reporting entity?

A) The financial reporting entity might include a primary government, component units, joint ventures, or a jointly governed organization.
B) Primary governments may be general-purpose governments (such as states, cities, and counties) or special-purpose governments that have separately elected governing bodies, are legally separate and are fiscally independent of other state or local governments.
C) Blending is used to incorporate component units when those component units are, in substance, part of the primary government.
D) All of the choices are true.

74) Which of the following is true regarding the financial reporting entity of a state or local government?

A) A. Many component units are discretely presented, rather than blended.
B) B. Only a primary government is reported in the government-wide statements.
C) C. A school district could never be a primary government.
D) D. Both B and C choices are true.

75) Which of the following is **false** regarding the financial reporting entity of a state or local government?

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A) A. Many component units are discretely presented, rather than blended.
B) B. Only a primary government is reported in the government-wide statements.
C) C. A school district can be a primary government.
D) D. Both B and C are false.

76) Which of the following is true regarding the composition of the Comprehensive Annual Financial Report (CAFR)?

A) The CAFR is to include both blended and discretely presented component units.
B) The CAFR is required in order to be in conformity with Generally Accepted Accounting Principles (GAAP).
C) The CAFR contains four major sections: introductory, financial, supplementary, and statistical.
D) All of the choices are true.

77) Which of the following is true regarding Management's Discussion and Analysis (MD&A)?

A) MD&A is not considered part of Required supplementary Information (RSI).
B) MD&A takes the place of footnotes.
C) MD&A should present an analysis of significant variations between the original and final budget.
D) All of the choices are true.

78) Under GASB rules for the financial reporting entity:

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A) Component units must be reported in columns (discrete presentation) separate from the funds of a primary government.

B) Counties are component units of the State Government.

C) Blended and discretely presented component units are to be reported in government-wide financial statements but **not** in fund financial statements.

D) Component units are included if the primary government is financially accountable for their operations.

79) Which of the following is included in Required supplementary Information (RSI)?

A) Management's Discussion and Analysis (MD&A).

B) Budgetary Comparison Schedule.

C) The Schedule of Funding Progress and Schedule of Employer Contributions when the government reports a pension trust fund.

D) All of the choices are correct.

80) Which of the following is **true** regarding the government-wide financial statements?

A) The government-wide financial statements are **not** required to present prior-year data.

B) The government-wide financial statements include a Statement of Net Position and a Statement of Activities, but **not** a Statement of Cash Flows.

C) The government-wide financial statements include capital assets, including infrastructure, and reflect depreciation, except for infrastructure using the modified approach.

D) All of the choices are true.

81) Which of the following is true regarding the government-wide Statement of Net Position?

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A) A reporting entity (primary government plus component units) total column is required.

B) The government-wide Statement of Net Position reflects capital assets, net of accumulated depreciation, for both governmental and business-type activities.

C) The government-wide Statement of Net Position must be prepared in a classified format; that is, both assets and liabilities must be separated between current and long-term categories.

D) The government-wide Statement of Net Position includes all resources entrusted to the government; including governmental, proprietary, and fiduciary.

82) Which of the following is true regarding the government-wide Statement of Activities?

A) The government-wide Statement of Activities may reflect expenses either by function (general government, public safety, etc.) or by object or natural classification (salaries, supplies, etc.).

B) The government-wide Statement of Activities reflects most taxes as program revenues.

C) The government-wide Statement of Activities is prepared using the modified accrual basis of accounting for governmental activities and using the accrual basis of accounting for business-type activities.

D) Separate rows are presented for major government functions and business-like activities.

83) Which of the following is true regarding the government-wide Statement of Activities?

A) In the government-wide Statement of Activities, "special items" are those items that are both unusual and infrequent and are **not** under the control of management.

B) Transfers between governmental and business type activities are eliminated and do **not** appear on the government-wide Statement of Activities.

C) The Statement of Activities includes depreciation expense.

D) Taxes levied, including those restricted to a particular purpose, are reported as program revenue.

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84) Which of the following is true regarding the governmental fund financial statements?

A) The governmental fund financial statements include the Balance Sheet, and the Statement of Revenues, Expenditures, and Changes in Fund Balances.
B) The governmental fund financial statements are prepared on the current financial resources measurement focus and modified accrual basis of accounting.
C) The governmental fund Balance Sheet reflects the residual equity as Fund Balance.
D) All of the choices are true.

85) Which of the following items would likely appear in the reconciliation between the governmental fund financial statements and the governmental activities column in the government-wide financial statements?

A) A. The inclusion of long-term liabilities in the government-wide financial statements and **not** in the governmental fund financial statements.
B) B. The inclusion of depreciation of capital assets in the governmental activities column of the government-wide financial statements and **not** in the governmental fund statements.
C) C. The additional accrual of some revenues and expenses in the government-wide financial statements that were **not** made in the governmental fund financial statements.
D) D. All of the choices are correct.

86) Which of the following is true regarding the Budgetary Comparison Schedule?

A) A. The Budgetary Comparison Schedule compares the actual results to both the original budget and the final budget, but display of variances is optional.
B) B. The Budgetary Comparison Schedule is considered part of the basic financial statements.
C) C. The Budgetary Comparison Schedule must be prepared for the General Fund and each major special revenue fund that has a legally adopted budget.
D) D. Both A and C choices are true.

87) Which of the following is <u>false</u> regarding major fund reporting for governmental funds?

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A) The General Fund is always a major fund.

B) Each fund that is considered major must be reported in a separate column in the governmental funds financial statements.

C) A government may designate any fund as major if it feels that reporting that fund in the basic financial statements would be useful.

D) None of the choices, all are true.

88) Which of the following is true regarding the Comprehensive Annual Financial Report?

A) The basic financial statements consist of the government-wide, the governmental fund, the proprietary fund, and the fiduciary fund financial statements (and the notes to the financial statements).

B) The government-wide financial statements include the Statement of Net Position, the Statement of Activities, and the Statement of Cash Flows.

C) Both of the choices are true.

D) Neither of the choices is true.

89) Funds other than the General Fund must be considered a major fund when:

A) Total assets, liabilities, revenues, or expenditures/expenses of that fund constitute 10 percent of either the governmental *or* enterprise category.

B) Total assets, liabilities, revenues, or expenditures/expenses of that fund are 5 percent of the total of the governmental *and* enterprise category.

C) Conditions of either of the choices exist.

D) Conditions of both of the choices exist.

90) Which of the following is true regarding the governmental fund statements?

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A) The governmental fund statements include a Statement of Cash Flows prepared on the direct method.

B) The governmental fund statements are prepared using the economic financial resources measurement focus and modified accrual accounting.

C) Neither of the choices is true.

D) Both of the choices are true.

91) Which of the following is true regarding the proprietary fund financial statements?

A) The proprietary fund financial statements include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Fund Net Position, and the Statement of Cash Flows.

B) The proprietary funds include enterprise, internal service, and permanent funds.

C) Both of the choices are true.

D) Neither of the choices is true.

92) Which of the following is true regarding fiduciary fund financial statements?

A) Fiduciary fund financial statements include the Statement of Fiduciary Net Position, the Statement of Changes in Fiduciary Net Position, and the Statement of Cash Flows prepared using the direct method.

B) Fiduciary fund financial statements are prepared on the current financial resources measurement focus and modified accrual accounting.

C) Both of the choices are true.

D) Neither of the choices is true.

93) Which of the following is true regarding the reporting of Budget-Actual Comparisons?

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A) A Budget-Actual Comparison Schedule is required for the General Fund and all major special revenue funds that have a legally adopted annual budget.

B) A Budget-Actual Comparison Statement may be prepared in lieu of the Schedule.

C) Both of the choices are true.

D) Neither of the choices is true.

94) An example of an expenditure classification by function for a governmental fund would be:

A) Public safety.

B) Capital outlay.

C) Salaries.

D) Debt service.

95) Direct expenses are required to be reported by function in Government-wide statements. Which of the following would not be an appropriate category?

A) Community development

B) Capital outlay

C) Parks and recreation

D) Health and welfare

96) Which of the following is true regarding the reporting of major funds in the governmental funds financial statements?

A) The General Fund is always considered a major fund.

B) A fund is considered major if its revenues, expenditures, assets, or liabilities exceed 10% of the total governmental fund categories and if the same element (revenues, expenditures, assets, or liabilities) exceeds 5% of the governmental and enterprise funds combined.

C) Both of the choices are true.

D) Neither of the choices is true.

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97) Which of the following is true regarding financial reporting of governmental funds?

A) The Fund Balance of governmental funds reports fund balance as reserved and unreserved.
B) Governmental funds include the General Fund, special revenue funds, capital projects funds, debt service funds, and permanent funds.
C) Both of the choices are true.
D) Neither of the choices is true.

98) Which of the following is true regarding the government-wide Statement of Activities?

A) General revenues include items such as charges for services and program fees.
B) Fiduciary activities are included.
C) Both of the choices are true.
D) Neither of the choices is true.

99) Which of the following is true regarding the governmental fund statements?

A) The Governmental Funds Balance Sheet does **not** reflect capital assets or long-term debt.
B) The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances reports columns for major funds, non-major funds (in total), and total.
C) Both of the choices are true.
D) Neither of the choices is true.

100) Which of the following is true regarding component units?

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A) Component units may be reported discretely in the government-wide statements or may be blended as a fund in the fund financial statements (and thus also included in the government-wide financial statements).

B) Component units could include towns, school districts, counties, and municipalities.

C) Both of the choices are true.

D) Neither of the choices is true.

101) Which of the following is true regarding the government-wide financial statements?

A) The government-wide financial statements include the Statement of Net Position and the Statement of Activities.

B) The government-wide financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

C) Both statements are true.

D) Neither statement is true.

102) Which of the following is true regarding the governmental fund financial statements?

A) The governmental fund financial statements include the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

B) The governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

C) Both of the choices are true.

D) Neither of the choices is true.

103) Which of the following is true regarding the proprietary fund financial statements?

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A) The proprietary fund financial statements include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Fund Net Position, and the Statement of Cash Flows.

B) The proprietary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

C) Both statements are true.

D) Neither statement is true.

104) Which of the following is true regarding the proprietary funds statements?

A) Major enterprise and internal service funds are reported in separate columns; a column is presented for all non-major enterprise and internal service funds (combined), and a total column is presented.

B) Financial statements include a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, and Statement of Cash Flows.

C) Both statements are true.

D) Neither statement is true.

105) Which of the following is true regarding fiduciary fund statements?

A) Fiduciary fund statements include the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

B) Fiduciary fund statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

C) Both statements are true.

D) Neither statement is true.

106) Which of the following is true regarding fiduciary funds?

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A) Fiduciary funds are reported in the fiduciary fund financial statements but **not** in the government-wide financial statements.

B) Custodial funds should present both a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

C) Both of the choices are true.

D) Neither of the choices is true.

107) Where in the CAFR would one find the long-term liability for revenue bonds (paid from the revenues of an enterprise fund)?

A) The proprietary funds Statement of Net Position only.

B) The government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

C) The government-wide Statement of Net Position and the RSI Schedule of Bonds Payable.

D) The government-wide Statement of Net Position only.

108) Which of the following funds requires a Budgetary Comparison Schedule?

A) Enterprise Funds

B) Internal Service Funds

C) General Fund

D) Investment Trust Funds

109) Which part of the financial section of the CAFR is considered "Required supplementary Information?"

A) Auditor's Report

B) Management's Discussion and Analysis

C) Government-Wide Financial Statements

D) Fund Financial Statements

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110) Which of the following is true regarding Government-wide financial statements?

A) Prior year data must be presented.
B) A Statement of Cash Flows is not required for Government-wide statements.
C) Depreciation may only be reported as a charge in total to the general government.
D) Fiduciary activities are only reported if they qualify as a major fund.

111) A reconciliation from Enterprise funds statements to government-wide statements is **not** necessary because:

A) They both use the same measurement focus and basis of accounting (economic resources, accrual).
B) They both use the same measurement focus and basis of accounting (current financial resources, modified accrual).
C) They use a different measurement focus and basis of accounting.
D) Enterprise funds are not included in the government-wide statements.

112) Which of the following Sections of the CAFR is audited?

A) Financial section
B) Statistical section
C) Management Discussion and Analysis section
D) Financial and statistical sections

113) The statistical section typically presents _____ years of information in each table or schedule.

A) 3
B) 5
C) 10
D) 12

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114) What are the three major sections of the Comprehensive Annual Financial Report?

A) Introductory Section, Financial Section, Budgetary Comparison
B) Introductory Section, Financial Section, Management Discussion and Analysis
C) Introductory Section, Financial Section, Statistical Section
D) Introductory Section, Financial Section, Reporting Infrastructure

115) In addition to a Statement of Net Position, Proprietary Fund (fund-basis) financial statements include which of the following?

A) Statement of Revenues, Expenses, and Changes in Fund Net Position.
B) Statement of Cash Flows.
C) Both of the choices are included.
D) Neither of the choices is included.

116) A budgetary comparison schedule is required for?

A) A. The General Fund.
B) B. Each special revenue fund that has a legally adopted annual budget.
C) C. Enterprise funds.
D) D. A budgetary comparison schedule is required for only choices A & B.

117) In addition to a Statement of Net Position, what statements are required in the government-wide Financial Statements?

A) Statement of Activities.
B) Statement of Cash Flows.
C) Neither of the choices are required.
D) Both of the choices are required.

118) Which Statement is presented using the accrual basis of accounting?

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A) A. Governmental Fund Balance Sheet
B) B. Government-Wide Statement of Activities
C) C. Statement of Revenues, Expenditure and changes in Fund Balances
D) D. Both A and B choices are true.

119) A Statement of Cash Flows is required for which type of fund?

A) Proprietary.
B) Governmental.
C) Fiduciary.
D) None of the choices are correct.

120) GASB requires which of the following (if applicable) to be included in the Notes to Financial Statements?

A) Outstanding encumbrances
B) The definition of cash and cash equivalents used in the statement of cash flows for proprietary funds
C) Interfund receivables and payables
D) All of the choices are correct

121) GASB provides which method(s) for including component unit financial information with that of the primary government?

A) Discrete Presentation
B) Blending
C) Both Discrete Presentation and Blending
D) None of the choices are correct.

122) The modified approach for infrastructure requires schedules and disclosures to be included in which part of the CAFR?

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A) Notes to the Financial Statements
B) Other Supplementary Information
C) Required supplementary Information
D) Proprietary Fund Statements

123) Which of the following is **not** true regarding the Statement of Cash Flows for proprietary funds?

A) Four categories of cash flows are used.
B) Interest and dividends received are recorded as investing activities.
C) The direct method is required for reporting cash flows from operations.
D) All of the choices are true statements.

124) Which of the following is true about the combining financial statements?

A) They are used whenever a nonmajor column is used in one of the fund financial statements.
B) The total column in the combining statements is not always the same as the nonmajor funds column in the basic financial statements.
C) Both of the choices are true.
D) Neither of the choices is true.

125) Which of the following funds require a Statement of Cash Flows?

A) Governmental funds
B) Proprietary funds
C) Fiduciary Funds
D) Governmental and Fiduciary Funds

126) With respect to Government-wide financial statements, which of the following is **not** required by GASB?

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A) Statement of Cash Flow
B) Statement of Net Position
C) Statement of Activities
D) All of the choices are required by GASB

127) Which of the following is **not** one of the major sections of the Comprehensive Annual Financial Report (CAFR)?

A) Budgetary
B) Financial
C) Introductory
D) Statistical

128) Which of the following indicates a governmental fund is considered to be a major fund?

A) Total assets, liabilities, revenues or expenditures of the individual governmental fund constitutes 10 percent of the governmental funds category.
B) Total assets, liabilities, revenues or expenditures/expenses are 5 percent of the total of the governmental and enterprise category. Other funds may be designated major funds at the discretion of management.
C) Both choices are required.
D) Either of the choices will qualify a fund to be a major fund.

129) Which of the following is not correct with respect to reporting major funds?

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A) Any funds not reported separately are aggregated and reported in a single column under the label *nonmajor funds.*

B) A government may designate any fund as a major fund if reporting that fund separately would be useful.

C) The general fund is not classified as a major fund if it does not meet the 10% and 5% tests for a major fund.

D) If the reporting government is preparing a complete CAFR, a schedule showing the detail of nonmajor funds is provided in the other supplementary information section.

130) GASB provides guidance for determining when a primary government should include a legally separate organization in its financial report. What would be required for the primary government to include the related entity in its financial reports?

A) A. The primary government controls a voting majority of the other organization's governing board or otherwise may impose its will on the organization.

B) B. The other organization is fiscally dependent upon the primary government.

C) C. The related organization must represent a financial benefit or burden to the primary government.

D) D. Either A or B plus C choice would be sufficient to require inclusion.

SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

131) Identify three items often found in Required Supplementary Information.

132) List the Government-wide financial statements required by GASB.

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133) List the fund financial statements required by GASB for governmental type funds.

134) List the fund financial statements required by GASB for proprietary type funds.

135) List the basic financial statements required by GASB for fiduciary type funds.

136) In addition to government-wide statements, governments are required to prepare fund financial statements within which three categories of funds?

137) What are the five categories of fund balance on a Governmental Funds Balance Sheet?

138) List the five categories outlined in GASB to be included in the statistical section of the CAFR.

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139) List and describe the three major sections of the Comprehensive Annual Financial Report and indicate briefly what is in each.

140) What is the rule for determining whether a governmental fund, other than the General Fund, is a major fund?

141) Identify two areas where GASB requires supplementary information (RSI).

142) The Governmental Accounting Standards Board has established rules for determining when a government should include another entity in its financial statements.Distinguish between a primary government and a component unit. Include one example of each.GASB permits two methods of reporting component units in the financial reporting entity. Describe the two methods and indicate when each should be used.The City of X is deciding whether or not to include a transit system in its financial report and how the transit system would be reported if a positive decision were made. The transit system is a legally separate entity, has its own governing board, not appointed by the city, has a different auditor, and issues its own financial report. The city has signed an agreement that, for the next ten years (the life of a bond issue related to transit operations), and it will make up the deficit of the transit system. During the last two years, the deficit has been $10 million, approximately 50% of the amount reported as a profit of its other enterprise operations. Make recommendations to the city, including whether or not to include the transit system and, if so, how to report it.

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143) GASB establishes that the *financial reporting entity* is the primary government together with its component units. Define primary government and component unit.

144) GASB provides guidance for determining when a primary government should include a legally separate organization in its financial report. Outline the criteria for inclusion.

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

145) The following information is available for the preparation of the government-wide financial statements of the City of Bloomfield as of June 30, 2020:

Accounts payable, business-type activities	$ 240,000
Accounts payable, governmental activities	610,000
Capital assets, net, business-type activities	10,300,000
Capital assets, net, governmental activities	10,400,000
Cash and cash equivalents, business-type activities	1,900,000
Cash and cash equivalents, governmental activities	1,200,000
Inventories, business-type activities	600,000
Net Position, restricted for debt service, business-type activities	640,000
Net Position, restricted for debt service, governmental activities	930,000

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Net Position, net investment in capital assets, business-type activities	4,760,000
Net Position, net investment in capital assets,, governmental activities	7,250,000
Noncurrent liabilities, business-type activities	4,990,000
Noncurrent liabilities, governmental activities	3,150,000
Receivables, business-type activities	1,230,000
Receivables, governmental activities	400,000

Assume all long-term liabilities were incurred in the acquisition of capital assets.

Required:

From the information given above, prepare, in good form, a Statement of Net Position for the City of Bloomfield as of June 30, 2020. Include the unrestricted net position, which is to be computed from the information presented above. Include a total column. Aurora has no component units.

146) The following information is available for the preparation of the government-wide financial statements for the Village of Twin Oaks for the year ended June 30, 2020:

Expenses:	
General government	$ 27,000,000
Public safety	17,200,000

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Public works	13,800,000
Health and sanitation	6,300,000
Culture and recreation	5,700,000
Inventories, business-type activities	8,100,000
Water and sewer system	640,000
Parking system	420,000
Revenues:	
Charges for services, general government	4,200,000
Charges for services, public safety	300,000
Operating grant, public safety	940,000
Charges for services, health and sanitation	3,500,000
Operating grant, health and sanitation	920,000
Charges for services, culture and recreation	2,200,000
Charges for services, water and sewer	12,250,000
Charges for services, parking system	740,000
Property taxes	49,300,000
Sales taxes	23,400,000
Other:	
Special item—gain on sale of park land	1,210,000
Transfer from business-type activities to governmental	500,000
Net position, July 1, 2019 – governmental activities	14,410,000
Net position, July 1, 2019 – business-type activities	12,312,000

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Required:
From the information given above, prepare, in good form, a Statement of Activities for the Village of Twin Oaks for the Year Ended June 30, 2020.

147) The following General Fund information is available for the preparation of the financial statements for the City of Pine Cove for the year ended December 31, 2020.

Revenues:	
Property taxes	$ 26,400,000
Sales taxes	10,150,000
Fines and forfeits	1,320,000
Licenses and permits	2,250,000
Intergovernmental	890,000
Investment earnings	660,000
Expenditures:	
Current:	
General government	8,200,000
Public safety	19,400,000
Public works	6,300,000
Health and sanitation	1,200,000
Culture and recreation	12,160,000

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Other:	
Encumbrances	100,000
Appropriations	40,000,000
Estimated Revenues	42,000,000
Transfer to debt service fund	1,130,000
Special item-proceeds from sale of land	760,000
Fund balance, January 1, 2020	7,600,000

Required:
From the information given above, prepare, in good form, a General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the City of Pine Cove for the Year Ended December 31, 2020.

148) The following water and sewer information is available for the preparation of the financial statements for the County of Augusta for the year ended June 30, 2020:

Operating revenues—charges for services	$ 17,590,000
Operating expenses:	
Personal services	8,960,000
Contractual services	1,822,000
Utilities	880,000
Repairs and maintenance	1,580,000

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Depreciation	2,640,000
Interest revenue	410,000
Interest expense	360,000
Capital contributions	997,000
Transfer to General Fund	950,000
Net position, July 1, 2019	2,720,000

Required:

From the information given above, prepare, in good form, a Water and Sewer Fund column for the proprietary fund Statement of Revenues, Expenses, and Changes in Fund Net Position for the County of Augusta for the Year Ended June 30, 2020.

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Answer Key

Test name: CH02

1) TRUE
2) TRUE
3) FALSE
4) TRUE
5) TRUE
6) TRUE
7) TRUE
8) FALSE
9) FALSE
10) FALSE
11) FALSE
12) TRUE
13) TRUE
14) FALSE
15) FALSE
16) FALSE
17) FALSE
18) TRUE
19) FALSE
20) FALSE
21) FALSE
22) FALSE
23) TRUE
24) TRUE
25) TRUE
26) FALSE

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27) FALSE
28) TRUE
29) FALSE
30) FALSE
31) TRUE
32) TRUE
33) TRUE
34) TRUE
35) FALSE
36) FALSE
37) FALSE
38) TRUE
39) TRUE
40) FALSE
41) TRUE
42) FALSE
43) TRUE
44) TRUE
45) FALSE
46) FALSE
47) FALSE
48) TRUE
49) FALSE
50) FALSE
51) TRUE
52) TRUE
53) FALSE
54) FALSE
55) FALSE
56) FALSE

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57) FALSE
58) A
59) D
60) A
61) D
62) C
63) D
64) C
65) A
66) A
67) C
68) C
69) D
70) B
71) B
72) D
73) D
74) A
75) B
76) A
77) C
78) D
79) D
80) D
81) B
82) D
83) C
84) D
85) D
86) D

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87) D
88) A
89) D
90) C
91) A
92) D
93) C
94) A
95) B
96) C
97) B
98) D
99) C
100) A
101) A
102) C
103) C
104) B
105) A
106) C
107) B
108) C
109) B
110) B
111) A
112) A
113) C
114) C
115) C
116) D

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117) A
118) B
119) A
120) D
121) C
122) C
123) D
124) A
125) B
126) A
127) A
128) C
129) C
130) D
131) In addition to MD&A, RSI requires schedules for the following: Schedule when the modified approach to infrastructure is used, budgetary comparison schedule, pension schedules, and schedules of risk management activities.
132) Government-wide statements include the Statement of Net Position and the Statement of Activities.
133) The governmental fund financial statements include the Balance Sheet, and the Statement of Revenues, Expenditures, and Changes in Fund Balances.
134) Proprietary fund financial statements include a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, and Statement of Cash Flows.
135) Fiduciary fund statements include the Statement of Fiduciary Net position, Statement of Changes in Fiduciary Net Position. The Statement of Cash Flows is not required for fiduciary funds.

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136) In addition to government-wide statements, governments are required to prepare fund financial statements for governmental, proprietary and fiduciary funds.
137) The five categories of fund balance on a Governmental Funds Balance Sheet Non-spendable are: restricted, committed, assigned and unassigned.
138) The five categories outlined in GASB to be included in the statistical section of the CAFR. are: financial trends information, revenue capacity information, debt capacity information, demographic and economic information and operating information.
139) The three major sections are introductory, financial and statistical. The introductory section includes a letter of transmittal, organization chart, and list of principal officials. The financial section includes the auditor's report, MD&A, the basic financial statements (including the footnotes), other RSI, combining statements for non-major funds (not reported separately in the basic financial statements), and schedules. The statistical section includes certain statistical tables indicating financial trends, revenue and debt capacity, demographic and economic information and operating information. Data is generally presented for the past 10 years.
140) The general fund is always considered to be a major fund. Other governmental funds are considered to be a major fund when both of the following conditions exists; 1) Total assets, liabilities, revenues or expenditures of that individual government fund constitute 10% of the total for the governmental funds category and 2) Total assets, liabilities, revenues or expenditures of that individual government fund are 5% of the total of the governmental and enterprise categories, combined. In addition, a government may designate any fund as a major fund if reporting that fund separately would be useful.

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141) RSI appears in two parts of the financial section; MD&A precedes the financial statements and other RSI schedules follow the notes to the financial statements. In addition to MD&A, Budgetary comparison schedules, Information about infrastructure assets reporting using the modified approach, Pension funding schedules and Schedules of risk management activities are areas where GASB requires RSI.

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142) A primary government is a state or a general-purpose local government, such as a municipality or a county. It may also be a special purpose government that has a separately elected governing board, is legally separate, and is fiscally independent of other state or local governments. A component unit is a legally separate organization for which the elected officials of a primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. An example of a primary government would be a city. An example of a component unit might be a library that is legally separate and has its own board but is financially dependent on the city.

The two methods are blending and discrete presentation. Blending is the reporting of a component unit in the government-wide financial statements as a part of the primary government. Blending is appropriate only when the component unit is “so intertwined with the primary government that they are in substance the same entity”. Discrete presentation involves presenting financial information of the component in a separate column apart from the primary government and not included in the totals for the primary government. Discrete presentation is the most commonly used method.

In this case, I would recommend that the transit system be incorporated as a component unit based on the idea that “exclusion would cause the reporting entity's financial statements to be misleading or incomplete. ”The Statement of Activities would show the operating loss of the transit system and the transfer from the primary government to make up the deficit. I would report it discretely, not blended, as the transit system is generally separate.

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143) A primary government is a state government, a general-purpose local government such as a city or county, or a special-purpose government such as a school district. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, a component unit can be an organization for which the nature and significance of its relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

144) GASB provides guidance for determining when a primary government should include a legally separate organization in its financial report. First the relationship with the entity must have one of the following characteristics: (1) the primary government controls a voting majority of the other organization's governing board or otherwise may impose its will on the organization; or (2) the other organization is fiscally dependent upon the primary government. An entity is fiscally dependent on a primary government if that government approves or modifies its budget, sets charges for its services, or if the government's approval is required to issue debt. In addition, the related organization must represent a financial benefit or burden to the primary government. A financial burden exists, for example, if the primary government is responsible for liabilities of the other organization. In contrast, a financial benefit exists if the government is entitled to or may access the other organization's resources.

145)

CITY OF BLOOMFIELD
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-Type Activities	Total
Assets:			

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Cash and Cash Equivalents	$ 1,200,000	$ 1,900,000	$ 3,100,000
Receivables	400,000	1,230,000	1,630,000
Inventories		600,000	600,000
Capital Assets, Net	10,400,000	10,300,000	20,700,000
Total Assets	12,000,000	14,030,000	26,030,000
Liabilities:			
Accounts Payable	610,000	240,000	850,000
Noncurrent Liabilities	3,150,000	4,990,000	8,140,000
Total Liabilities	3,760,000	5,230,000	8,990,000
Net Position:			
Net investment in capital assets,	7,250,000	5,310,000	12,560,000
Restricted for Debt Service	730,000	640,000	1,370,000
Unrestricted	260,000	2,850,000	3,110,000
Total Net Position	$ 8,240,000	$ 8,800,000	$ 17,040,000

146)

VILLAGE OF TWIN OAKS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

		Program Revenues		Net (Expense) Revenue and Change in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						

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General Government	$ 27,000,000	4,200,000		$ (22,800,000)	$	$ (22,800,000)
Public Safety	17,200,000	300,000	940,000	(15,960,000)		(15,960,000)
Public Works	13,800,000			(13,800,000)		(13,800,000)
Health and Sanitation	6,300,000	3,500,000	920,000	(1,880,000)		(1,880,000)
Culture and Recreation	5,700,000	2,200,000		(3,500,000)		(3,500,000)
Total Governmental Activities	70,000,000	10,200,000	1,860,000	(57,940,000)		(57,940,000)
Business-Type Activities:						
Water and Sewer System	8,100,000	12,250,000			4,150,000	4,150,000
Parking System	420,000	740,000			320,000	320,000
Total Business-Type Activities	8,520,000	12,990,000			4,470,000	4,470,000
Total	$ 78,520,000	$ 23,190,000	$ 1,860,000	(57,940,000)	4,470,000	(53,470,000)

General Revenues			
Property Taxes	49,300,000		49,300,000
Sales Taxes	23,400,000		23,400,000
Special Item-Gain on Sale of Park Land	1,210,000		1,210,000
Transfers	500,000	(500,000)	
Total General Revenues, Special Items, and Transfers	74,410,000	(500,000)	73,910,000

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Change in Net Position	16,470,000	3,970,000	20,440,000
Net Position, July 1, 2019	14,410,000	12,612,000	27,022,000
Net Position, July 30, 2020	$ 30,880,000	$ 16,582,000	$ 47,462,000

147)

CITY OF PINE COVE
GENERAL FUND STATEMENTS OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2020

Revenues:		
Property Taxes		$ 26,400,0000
Sales Taxes		10,150,000
Fees and Fines		1,320,000
Licenses and Permits		2,250,000
Intergovernmental Revenues		890,000
Investment Earnings		660,000
Total Revenues		41,670,000
Expenditures:		
Current:		
General Government	$ 8,200,000	
Public Safety	19,400,000	
Public Works	6,300,000	
Health and Sanitation	1,200,000	
Culture and Recreation	4,160,000	
Total Expenditures		39,260,000

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Excess of Expenditures Over Revenues		2,410,000
Other Financing Sources (Uses):		
Transfer to Special Revenue Fund	(1,130,000)	
Total Other Financing Sources (Uses)		(1,130,000)
Special Item: Proceeds from Sale of Land		760,000
Net Change in Fund Balance		2,040,000
Fund Balance, January 1, 2020		7,600,000
Fund Balance, December 31, 2020		$ 9,640,000

148)

COUNTY OF AUGUSTA
WATER AND SEWER FUND
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2020

Operating Revenues:		
Charges for Services		$ 17,590,000
Operating Expenses:		
Personal Services	$ 8,960,000	
Contractual Services	1,822,000	
Utilities	880,000	
Repairs and Maintenance	1,580,000	
Depreciation	2,640,000	
Total Operating Expenses		15,882,000
Operating Income		1,708,000
Non-operating Revenues (Expenses):		

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Interest Revenue	410,000	
Interest Expense	(360,000)	
Total Non-operating Revenues and Expenses		(50,000)
Income Before Contributions and Transfers		1,758,000
Capital Contributions		997,000
Transfer to General Fund		(950,000)
Change in Net Position		1,805,000
Net Position, July 1, 2019		2,720,000
Net Position, June 30, 2020		$ 4,525,000

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