Accounting for Governmental and Nonprofit Entities 19th edition Reck Test Bank

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Accounting for Governmental and Nonprofit Entities 19th Edition by Reck CH01

CORRECT ANSWERS ARE LOCATED AT THE SECOND PART OF THIS DOCUMENT

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
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Gradable : automatic

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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) _____

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◎ 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

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Question Details
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Learning Objective : 01-01 Identify and explain the characteristics that distinguish government and n
Accessibility : Keyboard Navigation
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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

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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

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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

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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

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Question Details
AACSB : Knowledge Application
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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

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AACSB : Knowledge Application
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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

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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

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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

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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

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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

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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

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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

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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

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

31) The Governmental Accounting Standards Board is assigned responsibility for setting accounting and financial reporting standards for which of the following?

31) _____

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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

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

32) _____

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

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

33) _____

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

34) 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?

34) _____

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.

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Question Details
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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

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

35) _____

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

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

36) _____

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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

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

37) _____

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

Accounting for Governmental and Nonprofit Entities 19th edition Reck Test Bank

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

38) _____

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

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

39) _____

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

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Question Details
AACSB : Knowledge Application
AICPA : BB Industry
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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

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

40) _____

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

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

41) _____

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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

42) 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?

42) _____

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

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43) A statistical section should be included in

43) _____

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

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

44) _____

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.

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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

45) 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

45) _____

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

Question Details
AACSB : Knowledge Application
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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

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

46) _____

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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.

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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

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

47) _____

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

Question Details
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Gradable : automatic

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

48) _____

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

49) On what should the governmental fund financial statements report?

49) _____

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.

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AACSB : Knowledge Application
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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

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

50) _____

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

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

51) _____

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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

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

52) _____

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

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

53) _____

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

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

54) _____

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

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

55) _____

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

56) 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?

56) _____

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

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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

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

57) _____

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

58) 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?

58) _____

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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

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

59) _____

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

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

60) _____

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

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

61) _____

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.

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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

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

62) 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

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

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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

64) 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?

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

65) 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

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

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

67) 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

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

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

69) 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

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

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

71) 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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Accounting for Governmental and Nonprofit Entities 19th Edition by Reck CH01

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

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Accounting for Governmental and Nonprofit Entities 19th Edition by Reck CH01
Answer Key

Test name: CH01

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

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

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56) C
57) B
58) D
59) D
60) C
61) B
62) 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.
63) 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).

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64) 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.

65) 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.

66) 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.

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67) 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.

68) 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).

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69) 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.

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70) 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.

71) 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.

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