TT TEXTBOOK TESTBANKS

Test Bank for Essentials of Accounting for Governmental and Not-for-Profit Organizations 15th Copley

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Chapter 01 Test Bank

CORRECT ANSWERS ARE LOCATED IN THE 2ND HALF OF THIS DOC.

1) The Governmental Accounting Standards Board sets financial reporting standards for all units of government: federal, state, and local.
   - ⦾ true
   - ⦾ false

2) Fund accounting exists primarily to provide assurance that resources are used according to legal or donor restrictions.
   - ⦾ true
   - ⦾ false

3) The Financial Accounting Standards Board sets financial reporting standards for profit-seeking businesses and nongovernmental, not-for-profit organizations.
   - ⦾ true
   - ⦾ false

4) FASAB, GASB, and FASB standards are set forth primarily in documents called statements.
   - ⦾ true
   - ⦾ false

5) FASAB, GASB, and FASB reporting standards are set forth primarily in documents called concept statements.
   - ⦾ true
   - ⦾ false

6) The FASAB was established to recommend accounting and financial reporting standards for the federal government.
   - ⦾ true
   - ⦾ false

7) The GASB does **not** require supplementary information to be reported with its financial statements even if it is essential to establish appropriate context for the financial statements and notes.
   - ⊙ true
   - ⊙ false

8) The Financial Accounting Standards Board sets financial reporting standards for private not-for-profits and investor-owned businesses.
   - ⊙ true
   - ⊙ false

9) An organization is presumed to be governmental if it has the ability to issue directly debt that is exempt from federal taxes.
   - ⊙ true
   - ⊙ false

10) The Financial Accounting Standards Board and the Governmental Accounting Standards Board are parallel bodies under the oversight of the Financial Accounting Foundation.
   - ⊙ true
   - ⊙ false

11) The Federal Accounting Standards Advisory Board requires less extensive reports than does the FASB or GASB.
   - ⊙ true
   - ⊙ false

12) The FASAB requires more financial statements than are typically required of state and local governments.
   - ⊙ true
   - ⊙ false

13) Governments must have as many funds as necessary to fulfill legal requirements and sound financial administration but must have at a minimum a General Fund.
- ⊙ true
- ⊙ false

14) A Management's Discussion and Analysis is required for state and local governmental units, and the federal government.
- ⊙ true
- ⊙ false

15) Although certain supplementary information may **not** be required, if presented, it must follow GASB guidance regarding its format and content.
- ⊙ true
- ⊙ false

16) The format and content of supplementary information which is **not** required by GASB is up to the discretion of the reporting entity.
- ⊙ true
- ⊙ false

17) GASB and FASB Concept Statements establish accounting standards that must be complied with to receive an unqualified audit opinion.
- ⊙ true
- ⊙ false

18) FASAB, GASB, and FASB standards are set forth primarily in documents called interpretations.
- ⊙ true
- ⊙ false

19) Fund-basis statements are presented for three categories of government activities: governmental, proprietary, and fiduciary.
- ⊙ true
- ⊙ false

20) State and local governments may use as many as twelve different fund types.
- ⊙ true
- ⊙ false

21) The economic resource measurement focus and accrual basis is an important feature of government-wide financial statements.
- ⊙ true
- ⊙ false

22) Businesslike activity fund-basis statements must be changed to the accrual basis from the modified accrual basis when preparing government-wide financial statements.
- ⊙ true
- ⊙ false

23) Governmental-type activity fund-basis statements must use accrual basis when preparing government-wide financial statements.
- ⊙ true
- ⊙ false

24) Fiduciary funds of a governmental unit use the current financial resources measurement focus and modified accrual basis of accounting.
- ⊙ true
- ⊙ false

25) Under the accrual basis of accounting, revenues are recognized when measurable and available to finance expenditures of the current period.
- ⊙ true
- ⊙ false

26) The government-wide statements and the fund statements for proprietary funds and fiduciary funds use the economic resources measurement focus and the accrual basis of accounting.
- ⊙ true
- ⊙ false

27) General fixed assets of the government are reported both in the government-wide financial statements and the governmental fund financial statements.
- ⊙ true
- ⊙ false

28) Comparison of the legally approved budget with actual results of the General Fund is **not** part of required supplementary information in the ACFR.
- ⊙ true
- ⊙ false

29) Comparison of the legally approved budget with actual results of the General Fund is included as part of required supplementary information in the ACFR.
- ⊙ true
- ⊙ false

30) Long-term debt associated with governmental activities (i.e. that is to be paid with tax revenues) is reported in the government-wide statements but not in the governmental fund statements
- ⊙ true
- ⊙ false

31) Measurement focus refers to those items, such as current and long-term assets, that are being reported on the financial statements.
- ⊙ true
- ⊙ false

32) Infrastructure is capitalized in the fund-basis statements of state and local governmental units.
- ⊙ true
- ⊙ false

33) Fiduciary funds include custodial, pension trust, investment trust, and permanent funds.
- ⊙ true
- ⊙ false

34) The Financial Accounting Standards Board has authority to establish accounting and financial reporting standards for both private and state universities.
- ⊙ true
- ⊙ false

35) FASB sets the reporting standards for private not-for-for profits.
- ⊙ true
- ⊙ false

36) Internal Service funds are treated as governmental activities in the government-wide statements if the principal customers are other departments within the General Fund.
- ⊙ true
- ⊙ false

37) Permanent funds can be either a governmental fund or a fiduciary fund where only income on donated assets may be spent.
- ⊙ true
- ⊙ false

38) Depreciation on capital assets is included as an expense in the Statement of Activities in the governmental fund-basis statements.
- ⊙ true
- ⊙ false

39) Depreciation on capital assets is included as an expense in the Statement of Revenues, Expenses, and Changes in Fund Net Position in the proprietary fund financial statements.

- ⊙ true
- ⊙ false

40) Depreciation on capital assets is **not** included as an expense in the Statement of Revenues, Expenses, and Changes in Fund Net Position in the proprietary fund financial statements.

- ⊙ true
- ⊙ false

41) According to GASB standards relating to Budgetary Accounting, an annual budget should be adopted by every governmental unit.

- ⊙ true
- ⊙ false

42) According to GASB standards relating to Budgetary Accounting, budgetary comparisons should be included in the appropriate financial statements or schedules for governmental funds for which an annual budget has been adopted.

- ⊙ true
- ⊙ false

43) According to GASB standards relating to Budgetary Accounting, budgetary comparisons are required for all funds, even those for which an annual budget has not been adopted.

- ⊙ true
- ⊙ false

44) According to FASB standards relating to Budgetary Accounting, the accounting system should provide the basis for appropriate budgetary control.

- ⊙ true
- ⊙ false

45) For most state and local governments, the budget, when adopted according to procedures specified by state laws, is not binding upon the administrators of a governmental unit.

⊙ true
⊙ false

46) A fund represents part of the activities of an organization which is separated from other activities in the accounting records to more easily demonstrate compliance with legal restrictions or limitations.

⊙ true
⊙ false

47) A government may have two or more General Funds.

⊙ true
⊙ false

48) The GASB published a white paper which identifies five environmental differences between governments and for-profit enterprises.

⊙ true
⊙ false

49) The FASB sets accounting and financial reporting standards for governmentally related not-for-profit organizations, such as colleges and universities, healthcare entities, museums, libraries, and performing arts organizations that are owned or controlled by governments.

⊙ true
⊙ false

50) Accounting and financial reporting standards for profit-seeking businesses and for nongovernmental not-for-profit organizations are set by the *Financial Accounting Standards Board.*

⊙ true
⊙ false

51) The *Financial Accounting Foundation (FAF)* has oversight over the GASB but not the FASB.

- ⊚ true
- ⊚ false

52) The information needs of government creditors are vastly different from their counterparts in the corporate world which necessitates different accounting rules.

- ⊚ true
- ⊚ false

53) GASB utilizes two additional elements that do **not** appear in the balance sheets of nongovernmental organizations: deferred inflows and deferred outflows of resources.

- ⊚ true
- ⊚ false

54) The GASB and the FASB are parallel bodies under the oversight of the *Financial Accounting Foundation (FAF).*

- ⊚ true
- ⊚ false

55) Governmental funds include:

A) Special revenue funds.
B) Internal service funds.
C) Enterprise funds.
D) Custodial funds.

56) Which of the following has established a "Hierarchy of GAAP":

A) Financial Accounting Standards Board.
B) Federal Accounting Standards Advisory Board.
C) Governmental Accounting Standards Board.
D) All of the answer options have established a hierarchy.

57) The term "proprietary funds" applies to:
- A) all funds that use accrual accounting.
- B) enterprise and internal service funds only.
- C) enterprise, internal service, and private-purpose trust funds.
- D) None of the answer options are correct.

58) The term "fiduciary funds" applies to:
- A) enterprise and internal service funds.
- B) private-purpose trust, investment trust, pension trust, and custodial funds.
- C) pension, investment trust, and enterprise funds.
- D) enterprise, internal service, and private-purpose trust funds.

59) The GASB sets accounting standards for all of the following except:
- A) State and local governments.
- B) Component units owned or controlled by governments.
- C) Governmentally related not-for-profit universities.
- D) Nongovernmental not-for-profit hospital.

60) Which of the following fund types is present in every general-purpose government?
- A) Permanent
- B) Special revenue
- C) General
- D) Capital projects

61) Which of the following is a proprietary fund?
- A) Internal service
- B) Investment trust
- C) Permanent
- D) Special revenue

62) Which of the following is **not** a fiduciary fund?

A) Private-purpose trust
B) Custodial
C) Pension trust
D) Permanent

63) Which of the following is a governmental fund?

A) Internal service
B) Custodial
C) Enterprise
D) Special revenue

64) The FASAB has the authority to establish accounting and financial reporting standards for:

A) State and local governments.
B) Investor owned business.
C) Federal government agencies.
D) Public not-for-profits.

65) The FASB has the authority to establish accounting and financial reporting standards for:

A) Federal government.
B) Private not-for-profits.
C) Public not-for-profits.
D) State and local governments.

66) The GASB has the authority to establish accounting and financial reporting standards for:

A) State governments.
B) Private not-for-profits.
C) Federal government.
D) None of the answer options is correct.

67) In order for a fund to exist, there must be:

A) a fiscal entity; assets set aside for a specific purpose.
B) a double-entry accounting entity.
C) A fiscal entity; assets set aside for a specific purpose and a double-entry accounting entity are optional and not required.
D) Both a fiscal entity; assets set aside for a specific purpose and a double-entry accounting entity are optional and are required.

68) Which fund category must change from modified accrual to accrual basis when preparing government-wide financial statements?

A) Governmental
B) Proprietary
C) Fiduciary
D) Governmental and Proprietary only

69) Which of the following use the current financial resources measurement focus?

A) Fiduciary fund statements
B) Governmental fund statements
C) Proprietary fund statements
D) Internal Service fund statements

70) Which of the following best describes how many funds a government should use?

A) One for each revenue source
B) Two at a minimum; the General Fund and one enterprise fund
C) As many as necessary to fulfill legal requirements and sound financial administration
D) None of the answer options is correct.

71) The Governmental Accounting Standards Board has been given authority to establish accounting and financial reporting standards for:

A) all governmental units and agencies.
B) federal, state, and local governments and governmentally related utilities, authorities, hospitals, and colleges and universities.
C) state and local governmental entities, and governmentally related utilities, authorities, hospitals, and colleges and universities.
D) all governmental units and all not-for-profit organizations.

72) Which of the following characteristics would **not** define an organization as governmental?
  A) The power to enact and enforce a tax levy
  B) The potential for unilateral dissolution by a government with the net resources reverting to a government
  C) The receipt of grant money from a state or local government for the purpose of providing services to the public
  D) All of the answer options are correct.

73) Level "A" GAAP for The University of Virginia, a public institution, would be established by the:
  A) Financial Accounting Standards Board.
  B) Governmental Accounting Standards Board.
  C) American Institute of Certified Public Accountants.
  D) National Association of College and University Business Officers.

74) Under the modified accrual basis of accounting, expenditures should be recognized when:
  A) they are authorized by the budget ordinance.
  B) they are paid.
  C) they are measurable and can be financed by the revenues of the current period.
  D) the fund liability is incurred.

75) Fiduciary funds use the:
  A) economic resources measurement focus and modified accrual basis of accounting.
  B) current financial resources measurement focus and accrual basis of accounting.
  C) economic resources measurement focus and accrual basis of accounting.
  D) None of the answer options is correct. The fiduciary funds have no revenues.

76) Proprietary funds use the:
  A) current financial resources measurement focus and modified accrual basis of accounting.
  B) economic resources measurement focus and accrual basis of accounting.
  C) economic resources measurement focus and modified accrual basis of accounting.
  D) current financial resources measurement focus and accrual basis of accounting.

77) Governmental funds use the:

A) economic resources measurement focus and accrual basis of accounting.
B) current financial resources measurement focus and accrual basis of accounting.
C) economic resources measurement focus and modified accrual basis of accounting.
D) current financial resources measurement focus and modified accrual basis of accounting.

78) Government-wide statements use the:

A) current financial resources measurement focus and accrual basis of accounting.
B) economic resources measurement focus and modified accrual basis of accounting.
C) economic resources measurement focus and accrual basis of accounting.
D) None of the answer options is correct.

79) Governmental funds do **not** include:

A) Special revenue funds.
B) Custodial funds
C) Debt service funds.
D) The General fund.

80) Which of the following organizations has authority to establish accounting and financial reporting standards for the federal government?

A) Federal Accounting Standards Advisory Board
B) Office of Management and Budget
C) Governmental Accounting Standards Board
D) None of the answer options is correct. No one has been granted authority to set standards for the federal government.

81) Which of the following is most correct with regard to Management's Discussion and Analysis (MD&A)?

A) State and local governments are required to provide an MD&A only.
B) Federal custodial financial reports are required to provide an MD&A.
C) Both state and local governments and federal agencies are encouraged, but not required to provide an MD&A.
D) Both state and local governments and federal agencies are required to provide an MD&A.

82) According to the GASB, Capital assets:

A) must be reported in government-wide statements but are not reported in any of the fund financial statements.

B) must be reported in government-wide statements and in proprietary fund financial statements.

C) are **not** to be reported in either government-wide or fund financial statements.

D) are to be reported but **not** depreciated in government-wide and fund financial statements.

83) Long-term debt of a governmental unit would be reported in the:

A) government-wide financial statements and proprietary fund financial statements.

B) government-wide financial statements only.

C) debt service funds of governmental fund financial statements and government-wide financial statements.

D) notes to the financial statements only.

84) A city government collects local sales taxes legally restricted to pay for the construction of a new courthouse. Which fund should account for the receipt of the sales taxes?

A) Special revenue fund

B) Capital projects fund

C) Private-purpose trust fund

D) General fund

85) A city government collects local sales taxes legally restricted to pay for the hiring of teachers for hearing impaired school children. Which fund should account for the receipt of the sales taxes?

A) Special revenue fund

B) Capital projects fund

C) Private-purpose trust fund

D) General fund

86) A city government makes its semiannual payment of interest on revenue bonds issued to pay for the construction of additional public transit stations. Which fund would account for the payment?

A) Debt service fund
B) Capital projects fund
C) Enterprise fund
D) Internal service fund

87) A city government sells police cars no longer in use. No restrictions have been placed on the proceeds. Which fund should account for the receipt?

A) General fund
B) Capital projects fund
C) Enterprise fund
D) Debt service fund

88) Accrual accounting is used by state and local governments for:

A) government-wide financial statements only.
B) government-wide financial statements and proprietary fund financial statements only.
C) government-wide, proprietary fund, and fiduciary fund financial statements only.
D) government-wide and all fund financial statements.

89) Under GASB, modified accrual accounting would be found in the:

A) government-wide financial statements only.
B) governmental fund financial statements only.
C) governmental and fiduciary fund financial statements only.
D) governmental, proprietary, and fiduciary fund financial statements but **not** in the government-wide financial statements.

90) Which of the following is **not** a fiduciary fund type?

A) Custodial
B) Expendable trust
C) Private-purpose trust
D) Investment trust

91) Level "A" GAAP for Cook County Hospital, a public hospital, would be established by the:
- A) Governmental Accounting Standards Board.
- B) Financial Accounting Standards Board.
- C) Hospital Financial Management Association.
- D) American Institute of Certified Public Accountants.

92) Which of the following is correct regarding fund classifications?
- A) Governmental funds include the general, special revenue, internal service, capital projects, and permanent.
- B) Proprietary funds include enterprise, internal service, and private-purpose.
- C) Fiduciary funds include custodial and enterprise funds.
- D) None of the answer options is correct.

93) Notre Dame University, a private institution, has level "A" GAAP established by the:
- A) American Institute of Certified Public Accountants.
- B) Governmental Accounting Standards Board.
- C) National Association of College and University Business Officers.
- D) Financial Accounting Standards Board.

94) Long-term debt to be paid from proprietary funds is reported as a liability in:
- A) the proprietary fund Statement of Net assets (or Net Position).
- B) the government-wide Statement of Net assets (or Net Position).
- C) both the proprietary fund Statement of Net assets (or Net Position) and the government-wide Statement of Net assets (or Net Position).
- D) neither the proprietary fund Statement of Net assets (or Net Position) nor the government-wide Statement of Net assets (or Net Position).

95) Which of the following are the governmental funds?
- A) General, special revenue, debt service, capital projects, private purpose.
- B) General, special revenue, debt service, capital projects, permanent.
- C) General, special revenue, debt service, capital projects, internal service.
- D) None of the answer options is correct.

96) Which of the following funds is a Fiduciary Fund?
A) Debt Service Fund
B) Enterprise Fund
C) Internal Service Fund
D) Pension Trust Fund

97) Which of the following statement(s) are **not** included in the proprietary funds for a government entity:
A) Statement of Revenues, Expenditures, and Changes in Fund Balances.
B) Statement of Cash Flows.
C) Statement of Net Position.
D) All of the answer options are included.

98) Capitalized fixed assets may be reported in which of the following fund-basis statements?
A) Proprietary funds
B) Permanent funds
C) Special revenue funds
D) Capital project funds

99) Which of the following fund types uses modified accrual accounting?
A) Enterprise
B) Capital Project
C) Pension Trust
D) Internal Service

100) Which of the following fund types uses accrual accounting?
A) Debt Service
B) Special Revenue
C) Permanent
D) Investment Trust

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101) A permanent fund classified under governmental funds:
- A) accounts for resources that are legally restricted so only earnings, not principal, may be expended, and for purposes to benefit the government and its citizenry.
- B) accounts for most of the basic services provided by the governmental unit.
- C) accounts for financial resources intended for major capital projects.
- D) accounts for services provided by one department of a government to another.

102) The general fund classified under governmental funds:
- A) accounts for resources that are legally restricted so only earnings, not principal, may be expended, and for purposes to benefit the government and its citizenry.
- B) accounts for most of the basic services provided by the governmental unit.
- C) accounts for financial resources intended for major capital projects.
- D) accounts for services provided by one department of a government to another.

103) A capital projects fund classified under governmental funds:
- A) accounts for resources that are legally restricted so only earnings, not principal, may be expended, and for purposes to benefit the government and its citizenry.
- B) accounts for most of the basic services provided by the governmental unit.
- C) accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital projects.
- D) accounts for services provided by one department of a government to another.

104) Which of the following funds is **not** a Fiduciary Fund?
- A) Investment Trust Fund
- B) Private Purpose Trust Fund
- C) Permanent Fund
- D) Pension Fund

105) The ____________ sets the accounting and financial reporting standards for both state and local governments and public not-for-profits.
- A) FASAB
- B) FASB
- C) GASB
- D) AICPA

106) The ____________ is the government's official annual report prepared and published as a matter of public record.

A) complete audited financial report
B) annual comprehensive financial report
C) governmental annual financial report
D) independent auditor's report

107) State and local governmental funds are organized into three categories including:

A) governmental, proprietary, and restricted.
B) proprietary, fiduciary, and restricted.
C) governmental, fiduciary, and restricted.
D) governmental, proprietary, and fiduciary.

108) The ____________ Fund accounts for all resources other than those required to be accounted for in other funds.

A) General
B) Enterprise
C) Custodial
D) Special revenue

109) The ____________ Fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purpose other than debt service or capital projects.

A) Custodial
B) Enterprise
C) Special revenue
D) General

110) The _____________ Funds are used when resources are provided primarily through the use of sales and service charges to parties external to the government and it is the intent of the government to measure revenues, expenses and changes in net position.

A) Custodial
B) Enterprise
C) General
D) Special revenue

111) The _____________ Funds are used to account for situations in which the government is acting as a collecting/disbursing agent.

A) Custodial
B) Enterprise
C) General
D) Special revenue

112) What basis of accounting would the Enterprise Fund use?

A) Accrual
B) Modified Accrual
C) Cash
D) Expended Accrual

113) What are Enterprise funds used for?

A) To account for pension and employee benefit funds for which the governmental unit is the trustee
B) To account for most of the basic services provided by the governmental units
C) To report resources that are legally restricted so only earnings, not principal, may be expended, and for purposes to benefit the government and its citizenry
D) To account for resources provided primarily through the use of sales and service charges to parties external to the government

114) Which of the following is an environmental difference between governments and for-profit business enterprises?

A) Relationship with stakeholders
B) Donor restricted assets
C) Fiduciary responsibilities
D) Both donor restricted assets and fiduciary responsibilities.

115) How many General Funds may a government have?

A) One
B) As many as is required to fulfill legal obligations
C) A varying number, depending on the annual needs of the government
D) None of the answer options is correct.

116) The Financial Accounting Standards Board (FASB) is the standard setting organization for which of the following reporting organizations?

A) Private not-for-profits only
B) Public not-for-profits
C) Investor owned businesses only
D) Private not-for-profits and investor owned businesses are both correct.

117) The fund basis statements for governmental funds are presented using the:

A) Economic Resources Measurement focus and the Accrual Basis of Accounting.
B) Current Financial Resources Measurement focus and the Modified Accrual Basis of Accounting.
C) Current Financial Resources Measurement focus and the Accrual Basis of Accounting.
D) Economic Resources Measurement focus and the Modified Accrual Basis of Accounting.

118) What type of fund is used when resources are provided mainly through business-like transactions to parties external to the government?

A) Enterprise Funds
B) Custodial Funds
C) Internal Service Funds
D) Capital Projects Funds

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119) Financial reports for state and local governments are well suited for all the following EXCEPT?

A) Assessing financial condition and results of operations
B) Comparing actual results with the legally adopted budget
C) Measuring the effectiveness of government services such as police and fire protection
D) Assisting in determining compliance with finance-related laws and regulations

120) Which of the following funds is used to account for the payment of principal and interest of general long term debt of a government?

A) Capital Projects Fund
B) Internal Service Fund
C) Custodial Fund
D) Debt Service Fund

121) The GASB is under the oversight of:

A) GAO.
B) FASAB.
C) FAF.
D) FASB.

122) Which of the following are nonauthorative sources that a government may consider when the accounting treatment of a transaction is not addressed in one of the authoritative sources?

A) GASB Concept Statements
B) GASB Technical Bulletins
C) Literature of the American Institute of Certified Public Accountants (AICPA) specifically cleared by the GASB
D) GASB Implementation Guides

123) Which of the following is a Category A source of authoritative GAAP for state and local governments?

A) GASB Technical Bulletins
B) Literature of the American Institute of Certified Public Accountants (AICPA) specifically cleared by the GASB
C) GASB Implementation Guides
D) GASB Statements (and Interpretations)

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124) What does the acronym ACFR stand for?
   A) Annual Comprehensive Financial Report
   B) Annual Consolidated Financial Report
   C) Audited Comprehensive Financial Report
   D) Annual Consolidated Federal Report

125) Which of the following statements is false?
   A) An *annual comprehensive financial report (ACFR)* is the government's official annual report prepared and published as a matter of public record.
   B) An ACFR is not required for entities with only a general fund.
   C) The ACFR contains introductory material, an auditor's report, certain RSI, schedules necessary to demonstrate legal compliance, and statistical tables.
   D) Governments have two levels of financial statement reporting. The first is the fund-basis financial statements and the second is the government-wide statements.

126) Which of the following statements regarding fund accounting is true?
   A) A typical town or county government has approximately the same number of funds as cities and states.
   B) Fund-basis statements are presented for three categories of activities: government-wide, proprietary, and fiduciary.
   C) Each fund requires its own journal, but all funds post the information to a common general ledger.
   D) While a business will typically have a single general ledger, the activities of governments are broken down into accounting subunits called *funds*.

127) Which of the following does **not** use the economic resources measurement focus?
   A) Fiduciary funds
   B) Governmental funds
   C) Proprietary funds
   D) Government-wide funds

128) Which of the following is **not** true with respect to a transaction that is nonexchange in nature?

A) They are activities where benefits received are in direct proportion to the fees charged for goods or services.
B) They are activities heavily financed by taxes and other involuntary contributions from people and organizations who do not receive benefits directionally proportional to the contribution.
C) They are activities undertaken in response to the needs of the public.
D) They are activities where recipients may pay less than the cost of the goods or service received.

129) GASB standards provide that accounting systems of governmental funds are designed to measure:

A) the net financial resources available for future periods only.
B) the receipt and expenditure of resources. These resources are generally current assets and liabilities.
C) the extent to which financial resources obtained during a period are sufficient to cover claims incurred during that period against financial resources only.
D) both the extent to which financial resources obtained during a period are sufficient to cover claims incurred during that period against financial resources and The net financial resources available for future periods.

130) Which of the following is an attribute of modified accrual accounting?

A) Long-term assets and depreciation are recorded in the governmental fund balance sheet.
B) Revenues are generally recognized when *measurable* and *available* to finance the expenditures of the current period.
C) Long-term debt is recorded in the governmental fund balance sheet.
D) Expenses are recorded on the Statement of Changes in Fund Balance.

131) Which of the following is true with respect to the government-wide statements?

A) Government-wide statements are prepared using the accrual basis of accounting, including the recording of fixed assets and long-term debt.
B) Government-wide statements are prepared using the modified accrual basis of accounting and the current financial resources measurement focus.
C) Government-wide statements are prepared using the modified accrual basis of accounting and an economic resource measurement focus.
D) Government-wide statements use the current financial resources measurement focus and the accrual basis of accounting.

132) Which of the following are governmental funds?

A) Custodial and Permanent
B) Enterprise and Debt Service
C) Debt Service and Capital Project
D) Internal Service and Special Revenue

133) Contrast revenue recognition under the accrual and modified accrual bases of accounting.

134) What is the difference between recording an expenditure under modified accrual accounting and an expense under accrual accounting?

135) Identify the accounting standard setting bodies for U.S. commercial, private not-for-profits, public not-for-profits, state and local governments, and the federal government.

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136) Which reporting organizations fall under the following standard-setting bodies?
FASAB
GASB
FASB

137) Contrast the economic resources measurement focus and the current financial resources measurement focus with regard to the accounting treatment of capital assets.

138) What are the five environmental factors relating to how governments are different from commercial businesses as described by GASB in a white paper entitled: Why *Governmental Accounting and Financial Reporting Is – and Should Be – Different:*

139) Identify the three basic fund categories, the funds that make up each of them, and the category's basis of accounting.

140) Contrast the economic resources measurement focus and the current financial resources measurement focus with regard to the accounting treatment of long-term debt.

141) The GASB has established a hierarchy of GAAP for financial statements preparers. List one category A and one category B source.

142) What are the fund-basis financial statements for each of the following fund categories?
Fiduciary
Proprietary
Governmental

143) List and define the five classifications of governmental funds.

144) What is the definition of governmental organizations agreed upon by the FASB and GASB?

Chapter 01 Test Bank

Answer Key

Test name: Chapter 01 Test Bank

1) FALSE
2) TRUE
3) TRUE
4) TRUE
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52) FALSE
53) TRUE
54) TRUE
55) A
56) D
57) B
58) B
59) D
60) C
61) A
62) D
63) D
64) C
65) B
66) A
67) D
68) A
69) B
70) C
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77) D

78) C
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80) A
81) D
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85) A
86) C
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88) C
89) B
90) B
91) A
92) D
93) D
94) C
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96) D
97) A
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100) D
101) A
102) B
103) C
104) C
105) C
106) B
107) D
108) A
109) C
110) B
111) A
112) A
113) D
114) A
115) A
116) D
117) B

118) A
119) C
120) D
121) C
122) A
123) D
124) A
125) B
126) D
127) B
128) A
129) D
130) B
131) A
132) C
133) Short Answer
134) Short Answer
135) Short Answer
136) Short Answer
137) Short Answer
138) Short Answer
139) Short Answer
140) Short Answer
141) Short Answer
142) Short Answer
143) Short Answer
144) Short Answer