

Governmental Accounting, Auditing, and Financial Reporting Examination

Updated 12/2018

Sample Examination

1. Ultimate responsibility for internal control rests with:
 - a) Management.
 - b) The governing board.
 - c) The external auditor.
 - d) The audit committee.
2. Which of the following types of fraud is least likely in an environment where cash receipting and record keeping for accounts receivable are adequately segregated?
 - a) Lapping
 - b) Pilfering
 - c) False claims
 - d) Charge-off fraud
3. What is the best way to select a sample to test internal control?
 - a) Block sampling
 - b) Internal sampling
 - c) Random sampling
 - d) Blind sampling
4. All of the following are examples of permanent risk **except**:
 - a) Change in grant requirements
 - b) Complexity
 - c) Cash receipts
 - d) Prior problems
5. Which is **not** an example of a control procedure?
 - a) Authorization
 - b) Segregation of incompatible duties
 - c) Analytical review
 - d) Mandatory holidays
6. Which of the following is the most important element in a comprehensive framework of internal controls?
 - a) Monitoring
 - b) Risk assessment
 - c) Communication
 - d) Control environment
7. Which of the following is an implicit assertion made in financial reporting?
 - a) Existence or occurrence
 - b) Completeness
 - c) Rights and obligations
 - d) All of the above
8. Which of the following control-related procedure is the most useful in meeting the implicit assertion of completeness?
 - a) Prior authorization and approval
 - b) Segregation of incompatible duties
 - c) Analytical procedures
 - d) Periodic verification
9. Which of the following is an inherent limitation of internal controls?
 - a) Principle of cost/benefit
 - b) Collusion
 - c) Management override
 - d) All of the above
10. Which of the following is the most significant factor promoting fraud?
 - a) Motive
 - b) Attitude
 - c) Opportunity
 - d) Economy
11. What is the primary role of most internal audit staff?
 - a) Prepare the financial statements
 - b) Review the work of the external auditors
 - c) Assist management in monitoring the effectiveness of internal controls
 - d) Assist the external auditors
12. Which of the following is one of the five essential elements of a comprehensive framework of internal controls?
 - a) Control environment
 - b) Risk assessment
 - c) Communication
 - d) All of the above

13. Which of the following is NOT one of the four principles that is related to risk assessment activities?
 - a) Selection and development of control activities.
 - b) Identification and assessment of changes.
 - c) Identification of risks
 - d) Alertness to fraud
14. The letter of transmittal would be included in what section of the CAFR?
 - a) Introductory
 - b) Statistical
 - c) Financial
 - d) None of the above
15. Proprietary funds are mandatory for which of the following?
 - a) A motor pool
 - b) An airport owned by state government
 - c) A public transit authority
 - d) Principal revenue source associated with debt backed solely by fees
16. A criteria for blending a component unit is:
 - a) Receive majority of revenue from a primary government
 - b) Shared governing board and a financial benefit or burden relationship
 - c) Have the same fiscal year of the primary government
 - d) Must be located within the boundary of the primary government
17. The paramount objective of general purpose external financial reporting is:
 - a) Accountability
 - b) Comparability
 - c) Inter period equity
 - d) Understandability
18. Which of the following has the highest authoritative status?
 - a) GASB Concept Statement
 - b) AICPA Audit and Accounting Guide
 - c) GASB Technical Bulletin
 - d) GASB Statement
19. In a general fund, unassigned fund balance is a measure of:
 - a) Available cash
 - b) Economic position
 - c) Cumulative earnings
 - d) Spendable resources
20. Which of the following funds has an economic resources measurement focus?
 - a) General
 - b) Custodial
 - c) Enterprise
 - d) Pension trust
21. Which of the following is a section of the comprehensive annual financial report (CAFR)?
 - a) Statistical
 - b) Introductory
 - c) Financial
 - d) All of the above
22. Which of the following is a required financial statement for a governmental fund?
 - a) Statement of Cash Flows
 - b) Statement of Net Position
 - c) Balance Sheet
 - d) Statement of activities
23. Which of the following is a fund balance category?
 - a) Nonspendable
 - b) Assigned
 - c) Restricted
 - d) All of the above
24. Data from which fund type is NOT included in the government-wide statements?
 - a) Internal service fund
 - b) Private purpose trust fund
 - c) Permanent fund
 - d) All of the above
25. The statement of revenues, expenditures and changes in fund balance would NOT report which of the following transactions?
 - a) Depreciation
 - b) Capital outlay
 - c) Principal payment on long-term debt
 - d) Proceeds from the sale of capital assets

26. Which of the following is a proprietary fund?
- Enterprise fund
 - Custodial fund
 - Special revenue fund
 - Private purpose trust fund
27. Which of the following is a net position category?
- Nonspendable
 - Assigned
 - Restricted
 - All of the above
28. In the statement of activities, which of the following is always classified as general revenue?
- Fees
 - Grants
 - Taxes
 - Fines
29. Which fund would report a statement of cash flows?
- Debt service fund
 - Custodial fund
 - Enterprise fund
 - Special revenue fund
30. Which fund type could report a budgetary comparison schedule as part of required supplementary information?
- Major capital projects fund
 - Major debt service fund
 - Major special revenue fund
 - All of the above
31. GFOA recommends that general-purpose governments maintain unrestricted fund balance for the general fund at no less than:
- one year of general fund revenues or expenditures.
 - six months of general fund revenues or expenditures.
 - two months of general fund revenues or expenditures.
 - one month of general fund revenues or expenditures.
32. Which of the following could be reported in the government-wide statements for a government with a defined benefit pension plan?
- Total pension obligation
 - Net pension liability
 - Plan fiduciary net position
 - Accrued pension benefit payable
33. What column is required in the budgetary comparison schedule?
- Original budget
 - Actual amounts presented on a budgetary basis
 - Final revised budget
 - All of the above
34. "Yellow Book" is often used to describe the auditing standards issued by the:
- General Accountability Office
 - Office of Management and Budget
 - Auditing Standards Executive Committee
 - American Institute of Certified Public Accountants
35. An auditor's report is deemed "modified" if it states that:
- The auditor is unable to render an opinion
 - The financial statements are not fairly presented
 - The financial statements are fairly presented "except for..."
 - The financial statements are fairly presented
36. Single Audit is required when federal awards expended exceeds:
- \$250,000
 - \$500,000
 - \$750,000
 - \$1,000,000
37. GFOA recommends that audit contracts should be for a minimum of how many years?
- 2 years
 - 5 years
 - 7 years
 - 10 years

38. Which of the following does an audit opinion cover?
- a) Transmittal letter
 - b) Managements' discussion and analysis
 - c) Required supplementary information
 - d) None of the above
39. The main goal of the annual audit of the financial statement is to:
- a) detect all cases of fraud.
 - b) evaluate the effectiveness of internal control.
 - c) assure the financial statements are free of material misstatements.
 - d) All of the above
40. Which of the following does GFOA recommend serve on an audit committee?
- a) Citizens
 - b) Chief executive officer
 - c) Members from the governing board
 - d) Director of internal audit

Key:

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