

OPERATING AND CAPITAL BUDGETING

Sample Examination

1. Which of the following is an essential feature of a good budget process, as defined by the National Advisory Council on State and Local Budgeting (NACSLB)?
 - a) Focuses budget decisions on results and outcomes
 - b) Involves and promotes effective communication with stakeholders
 - c) Establishes linkages to broad organizational goals
 - d) All of the above
2. Which of the following is an advantage of locating the budget function under the chief executive?
 - a) Better coordination with the finance function
 - b) More involvement in day-to-day crises
 - c) Staff with more financial expertise
 - d) None of the above
3. A well-conceived and executed budget classification structure:
 - a) incorporates direct reference to the chart of accounts.
 - b) should be succinct and limited to fund, organizational unit, and activity.
 - c) must include information regarding the programmatic nature of the proposed spending.
 - d) provides information in a format and at a level of detail to facilitate budget analysis and decision making.
4. The National Advisory Council on State and Local Government Budgeting identified a principle entitled, "Develop a Budget Consistent with Approaches to Achieve Goals." Which of the following was not called for in establishing that linkage?
 - a) Conduct long-range planning
 - b) Evaluate the effect of changes to revenue source rates and bases
 - c) Develop a capital improvement plan
 - d) Prepare a debt affordability analysis
5. Which of the following time periods are commonly used as a basis for the operating budget cycle?
 - a) One year
 - b) Two years
 - c) Five years
 - d) Either a or b
6. In preparing the annual budget, the finance officer should consider the overall fiscal capacity of the entity. Fiscal capacity is:
 - a) the ability of a jurisdiction to generate taxes and other revenues from its own sources.
 - b) the ability of a jurisdiction to generate taxes and other revenues from its own sources, as well as issue debt.
 - c) the key consideration when a jurisdiction issues debt as part of its capital improvement program.
 - d) a reflection of both the local and regional economy.
7. The National Advisory Council on State and Local Government Budgeting recommended adoption of which of the following policies?
 - a) Policies to guide the creation, maintenance, and use of resources for financial stabilization purposes
 - b) Policy on the maximum amount of debt and debt service that should be outstanding at any one time
 - c) Policies to facilitate attainment of program and financial goals
 - d) Both a and b
8. Which of the following is true about reporting a budget to actual statement or schedule in a government's basic financial statements?
 - a) The reports are optional
 - b) Required for the general fund
 - c) Should be reported for all governmental funds
 - d) Should only be reported for the general fund and major special revenue funds with annual enacted budgets
9. A federal grant is received for police training. How should this amount be reported on the balance sheet of a governmental fund?
 - a) Committed fund balance
 - b) Assigned fund balance
 - c) Unassigned fund balance
 - d) Restricted fund balance

OPERATING AND CAPITAL BUDGETING

Sample Examination

10. Which of the following is NOT part of unrestricted fund balance?
 - a) Committed fund balance
 - b) Assigned fund balance
 - c) Unassigned fund balance
 - d) Restricted fund balance
11. Which of the following is a governmental fund?
 - a) General fund
 - b) Capital project fund
 - c) Debt service fund
 - d) All of the above
12. The number of passengers transported is what type of measurement for a mass transit operation?
 - a) Input measure
 - b) Output measure
 - c) Outcome measure
 - d) Efficiency measure
13. When setting program goals, which of the following should be the primary concern?
 - a) The required service level(s)
 - b) The likelihood of the program's budget request being approved
 - c) The results of citizen surveys
 - d) The amount of resources required
14. A major function of the NACSLB recommended practices is:
 - a) to standardize the format and content of budgetary documents.
 - b) to ensure that budgeting follows generally accepted accounting principles (GAAP).
 - c) to ensure budgets are done for all funds.
 - d) to serve as tools to assist governments in improving their budget process.
15. Which of the following is an example of stabilization funds?
 - a) Contingency fund
 - b) Rainy day fund
 - c) Working capital reserve fund
 - d) All of the above
16. GFOA recommends that general-purpose governments maintain unrestricted fund balance for the general fund at no less than:
 - a) one year of regular general fund operating revenues.
 - b) two months of regular general fund operating revenues.
 - c) two months of regular general fund operating expenditures.
 - d) Either b or c
17. Which of the following are likely uses of budget reserves (or rainy day funds)?
 - a) Temporary cash flow shortages
 - b) Emergencies
 - c) Unanticipated economic downturns
 - d) Any of the above
18. The NACSLB has made which of the following recommendations on evaluating the use of unpredictable revenues?
 - a) For each major unpredictable revenue source, a government should identify those aspects of the revenue source that make the revenue unpredictable.
 - b) A government should identify the expected or normal degree of volatility of each of its major revenue sources.
 - c) A government should decide, in advance, on a set of tentative actions to be taken if one or more of its major revenues sources generate revenues substantially higher or lower than projected.
 - d) All of the above.
19. Which of the following is NOT considered a benefit of developing financial policies?
 - a) Improves control over fiscal resources
 - b) Provides justification for difficult budget decisions
 - c) Decision making is easier once financial policies are approved
 - d) Reduces errors in projections
20. According to the NACSLB, the mission of the budget process includes:
 - a) promoting citizen and other stakeholder participation in the process.
 - b) satisfying the preferences of citizens.
 - c) minimizing the cost of providing needed services.
 - d) all of the above.

OPERATING AND CAPITAL BUDGETING

Sample Examination

21. Which of the following is a major consideration when developing a policy regarding enterprise fund transfers to the general fund?
 - a) The extent such transfers may be limited by statute, ordinance, or bond indenture.
 - b) The extent of the projected deficit in the current year's operating budget.
 - c) The impact on the current year's rates in the enterprise fund.
 - d) The impact on the current year's property tax rates in the general fund.
22. The GFOA recommends that governments at all levels forecast major revenues and expenditures. What is the minimum time frame beyond the budget period that the GFOA recommends?
 - a) Three years
 - b) Three to five years
 - c) Four to eight years
 - d) Five to ten years
23. Which of the following should be included in a business case approach for an information technology investment?
 - a) Return on investment analysis
 - b) A standard set of evaluation criteria
 - c) Accountability for results
 - d) All of the above
24. Budgets can be formally/legally adopted through which of the following actions?
 - a) Submission by the chief executive
 - b) Passage of an appropriation ordinance
 - c) Approval of the finance committee
 - d) Any of the above
25. Which of the following is a true statement regarding the advantages of line-item budgeting?
 - a) It obscures tradeoffs
 - b) It is easy to understand
 - c) It is effective at reducing waste
 - d) It is focused on results
26. The public works department consistently exhausts its appropriations for overtime well before the end of the fiscal year. To help this department better manage amounts available, which of the following controls might be used?
 - a) Require approvals for overtime
 - b) Position controls
 - c) Encumbrances
 - d) Allotments
27. Which of the following is a sound method to monitor revenues?
 - a) Compare actual monthly collections to prior year collections for same month(s)
 - b) Compare quarterly collections to the same quarter from prior year
 - c) Compare actual year-to-date revenues to the same year-to-date period from the prior year
 - d) All of the above
28. Trend analysis is a revenue forecasting method:
 - a) that utilizes historical data.
 - b) that requires the use of computer software to implement.
 - c) that is limited to property taxes.
 - d) that is the same as "econometric modeling".
29. A locality is interested in developing multiple forecasts for its revenue sources that are influenced by price and demand by adjusting economic assumptions to assess the reliability of the overall revenue projections. What type of analysis would be undertaken to satisfy this objective?
 - a) Validity analysis
 - b) Sensitivity analysis
 - c) Regression analysis
 - d) Dependent variable analysis
30. Which of the following is considered a qualitative revenue forecasting method?
 - a) Naïve forecasting
 - b) Expert forecasting
 - c) Delphi forecasting
 - d) All of the above
31. The GFOA *Financial Policies* recommends that non-recurring revenues be used for:
 - a) paying down debt.
 - b) building up reserves.
 - c) special projects.
 - d) all of the above.
32. Which of the following does NOT represent a criterion typically used when evaluating capital project requests for inclusion in the CIP?
 - a) Fiscal and budget impacts
 - b) Political impact
 - c) Economic development impact
 - d) Health and safety impact

OPERATING AND CAPITAL BUDGETING

Sample Examination

33. Which of the following is not an advantage of the pay-as-you-go method for financing capital projects?
- a) Encourages intergenerational equity
 - b) Provides savings in interest and issuance costs
 - c) Enhances perception of credit quality
 - d) Preserves financial flexibility
34. Which of the following is a major determinant of the size of debt service payments?
- a) The amount of current debt outstanding
 - b) The amortization schedule
 - c) Interest rates
 - d) All of the above
35. A city government is considering building a parking deck to be paid for by user fees. To analyze the wisdom of this investment, a financial analyst would use which of the following techniques?
- a) Net present value analysis
 - b) Fiscal impact analysis
 - c) Cost-effectiveness analysis
 - d) Cash flow analysis

OPERATING AND CAPITAL BUDGETING

Sample Examination

Key:

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