

Student name: _____

General purpose governments generally provide a wider range of services to their residents than do special purpose governments.

true

false

Examples of general purpose governments include cities, towns, and independent public school districts.

true

false

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.

true

false

The Governmental Accounting Standards Board (GASB) is the body authorized to establish accounting principles for all government entities.

true

false

The Financial Accounting Standards Board (FASB) is the body authorized to establish accounting principles for all colleges and universities and health care entities.

true

false

Neither governments nor not-for-profit entities have residual equity that can be distributed to owners.

true

false

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.

true

false

The needs of users of government financial reports are the same as those of users of business entity financial reports.

true

false

The Federal Accounting Standards Advisory Board (FASAB) recommends accounting principles and standards for the federal government and its agencies and departments.

true

false

The FASB, GASB, and FASAB all focus their standards on both internal and external financial reporting.

true

false

Interperiod equity refers to the concept that current-year revenues are sufficient to pay for the current year's services, so that future taxpayers will not be required to assume the burden for services previously provided.

true

false

The minimum requirements for general purpose external financial reporting are

1. (1) management's discussion and analysis (MD&A),
2. (2) the basic financial statements, including the notes to the financial statements, and
3. (3) combining and individual fund financial statements.

true

false

The Financial Accounting Foundation has oversight over both the FASB and the GASB.

true

false

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.

true

false

Providing information on accountability is the primary financial reporting objective for both governments and not-for-profit entities.

true

false

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.

true

false

Since neither governments nor not-for-profit entities have investors, the financial reporting objectives are the same for both types of entities.

true

false

The GASB provides optional guidance for those entities providing service efforts and accomplishments (SEA) reports to the public.

true

false

The Office of Management and Budget (OMB) requires major federal departments and agencies to prepare an annual performance report.

true

false

The FASB standards require not-for-profit entities to report net assets in three categories: unrestricted, temporarily restricted, and permanently restricted.

true

false

The FASB standards require not-for-profit entities to separately report program expenses and support expenses.

true

false

The governmental fund financial statements are intended to provide information on fiscal accountability.

true

false

The governmental fund financial statements are useful in assessing operational accountability.

true

false

Government-wide financial statements are prepared using the accrual basis of accounting.

true

false

A public college or university would be an example of a special purpose government.

true

false

A primary objective of financial reporting for governments and not-for-profit organizations is to provide information that can be used in assessing management performance and stewardship.

true

false

Operational accountability requires providing information that can be used to help assess whether resources are being used efficiently and effectively.

true

false

The federal government has an open data website called Open Government that provides access to state and local data websites.

true

false

Both the GASB and the FASAB require entities to include a management discussion and analysis in the financial reports.

true

false

Similar to for-profit entities, net income serves as a good measure of a government's performance.

true

false

All fund financial statements are prepared using the accrual basis of accounting.

true

false

A private not-for-profit hospital would follow FASB standards when preparing its financial reports.

true

false

Only FASAB standards focus on both internal and external user needs.

true

false

An objective of all three standard-setting bodies (FASB, FASAB, and GASB) is to provide information that can be used in assessing accountability.

true

false

The Office of Management and Budget (OMB) requires that financial statements be included as part of a federal department's annual performance and accountability report (PAR).

true

false

The federal government prepares a Citizen's Guide as part of its performance and accountability report (PAR).

true

false

Similar to publicly traded companies, governments are required to file XBRL financial reports with the Securities and Exchange Commission.

true

false

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

Governments such as federal agencies, states, cities, counties, villages, and townships.

State and local governments and government-related entities, such as utilities, hospitals, and colleges and universities.

Not-for-profit organizations.

State and local governments and all not-for-profit organizations.

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

Federal Accounting Standards Advisory Board (FASAB).

Financial Accounting Standards Board (FASB).

Governmental Accounting Standards Board (GASB).

Federal Accounting Foundation (FAF).

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

All not-for-profit organizations that are nongovernmental and business entities.

All not-for-profit organizations and business entities.

All not-for-profit organizations.

Special purpose governments with a business purpose.

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?

Absence of profit motive.

A primary source of revenues is taxes.

Resource providers do not expect benefits proportional to the resources provided.

Absence of a defined ownership interest that can be sold, transferred, or redeemed.

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

Decision usefulness.

Stewardship.

Accountability.

Interperiod equity.

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

Federal Accounting Standards Advisory Board.

Governmental Accounting Standards Board.

Financial Accounting Standards Board.

American Institute of CPAs.

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

Decision usefulness.

Accountability.

Understandability.

Budget integrity.

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

To assist users in assessing the adequacy of systems and controls.

To assist users in assessing financial condition and results of operations.

To assist financial report users in comparing actual financial results with the legally adopted budget.

To assist in determining compliance with finance-related laws, rules, and regulations.

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

Citizens.

Managers and administrators.

Employees.

Special interest groups.

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

Management's discussion and analysis (MD&A).

Transmittal letter.

Combining and individual fund statements.

Statistical information.

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

Letter of transmittal, management's discussion and analysis (MD&A), and financial.

Introductory, financial, and statistical.

Introductory, MD&A, and financial.

Letter of transmittal, financial, and supplementary.

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?

Management's discussion and analysis (MD&A).

Government-wide financial statements.

Notes to the financial statements.

Combining and individual fund financial statements.

A statistical section should be included in

An annual comprehensive financial report (ACFR).

The basic financial statements.

The notes to the financial statements.

Required supplementary information, other than MD&A.

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

Title and contents page.

Letter of transmittal.

A description of the government.

Summary of the government's current financial position and results of financial activities.

Which section of the annual comprehensive financial report presents tables and charts showing social and economic data in addition to financial trends, fiscal capacity, and operating information of the government?

Introductory section.

Management's discussion and analysis section.

Statistical section.

Financial section.

Which of the following should be included in the financial section of an annual comprehensive financial report?

Transmittal letter.

The basic financial statements, including notes thereto.

Tables and charts showing demographic and economic data.

A description of the government.

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

Operational accountability.

Fiscal accountability.

The cost of government services.

Budgetary compliance.

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

GASB.

FASB.

FASAB.

Both GASB and FASAB.

On what should the governmental fund financial statements report?

Net position and results of financial operations of the government as a whole.

Fiscal accountability.

Operational accountability.

Cost of government services.

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

Basic financial statements.

Annual performance report.

Statistical section.

Management's discussion and analysis.

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

Statement of financial position.

Statement of changes in net position.

Statement of revenues, expenses, and changes in net position.

Both statement of financial position and statement of changes in net position.

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

Accrual.

Modified accrual.

Modified cash.

Budgetary.

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

A separate statement of functional expenses.

As part of the statement of activities.

As a schedule in the notes to the financial statements.

Any of these formats is acceptable.

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

Unrestricted net assets.

Net assets with donor restrictions.

Temporarily restricted net assets.

Net investment in capital assets.

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

Fund-raising expenses.

Program expenses.

Management expenses.

General expenses of operating the not-for-profit entity.

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?

Stewardship.

Operating performance.

Budgetary integrity.

Accountability.

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

To provide detailed financial information about different funds of government.

To provide an overview of the total government's financial information.

To provide an overview of how government would operate as a business-type entity.

To provide detailed financial information on how the government's financial performance compares to the prior reporting period.

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?

A college.

An art museum.

A mental health clinic.

A professional association.

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

Sources of revenue.

Operating purpose.

Ownership interest.

All of these characteristics.

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

Financial Accounting Standards Board (FASB).

Governmental Accounting Standards Board (GASB).

Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB).

Financial Accounting Standards Board (FASB), Governmental Accounting Standards Board (GASB), and the Federal Accounting Standards Advisory Board (FASAB).

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

Help users assess financial performance.

Help users assess financial performance and management performance.

Help users assess financial performance, management performance, and budgetary performance.

Help users assess financial performance, and budgetary performance.

Which of the following is an objective of financial reporting by federal departments and agencies?

To assist users in assessing the adequacy of systems and controls.

To assist users in making resource allocation decisions.

To assist financial report users in comparing actual financial results with the legally adopted budget.

To assist users in making economic decisions.

The FASAB's *Statement of Federal Financial Accounting Concepts (SFFAC) Number 1* identifies four objectives of federal financial reporting. The requirement to provide information on the financial condition of the government relates to which of the four objectives?

Stewardship

Operating performance

Budgetary integrity

Accountability

A college that receives the majority of its revenues from student tuition and a state subsidy that is based on tax revenues would prepare its financial statements using which standards?

FASB

FASAB

GASB

PCAOB

Which of the following would be considered a not-for-profit organization?

Local Number 54 Fire District

Booker County Library

Munoz YMCA

Pasco County School District

You are reading the *Citizen's Guide* in a financial report. Most likely you are reading the financial report of

The University of Chicago.

The City and County of Denver.

The State of Hawaii.

The U. S. Government.

In the statement of activities you are reviewing, expenses have been separated into program and support expenses. Most likely you are reviewing the financial statements of which type of entity?

The federal government

A local government

A state government

A not-for-profit organization

Which of the following statements concerning a local government's MD&A is *false*?

It is Required Supplementary Information.

It provides information on Service Efforts and Accomplishments.

It provides information on the government's current financial position.

It is part of the general purpose external financial reports.

Explain the essential differences between general purpose and special purpose governments and give several examples of each.

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

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?

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?

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

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.

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

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.

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

Describe the annual comprehensive financial report (ACFR). What are the sections of the report and what are the minimum financial reporting requirements? Is an ACFR required?

What is the Federal Data Transparency Act (FDTA) and how might it affect government financial reporting?

Answer Key

Test name: Ch1_Accounting for Government and Nonprofit
Entities_19e

TRUE

FALSE

TRUE

FALSE

FALSE

TRUE

TRUE

FALSE

TRUE

FALSE

TRUE

FALSE

TRUE

FALSE

FALSE

TRUE

FALSE

TRUE

TRUE

FALSE

TRUE

TRUE

FALSE

TRUE

TRUE

FALSE

TRUE

TRUE

TRUE

FALSE

FALSE

TRUE

TRUE

FALSE

TRUE

FALSE

FALSE

B

A

A

B

C

A

B

A

A

A

B
D
A
D
C
B
A
D
B
C
A
B
D
B
B
C
B
D
D
C
B
A
A
C
C

D

D

B

Essay

Essay

Essay

Essay

Essay

Essay

Essay

Essay

Essay

Essay

Essay