

BIRZEIT UNIVERSITY
FACULTY OF BUSINESS AND ECONOMICS
ACCOUNTING DEPARTMENT

non profit

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LECTURERE: BAYAN J. RAJAB

SUMMER SEM. 2014
MIDTERM EXAM

ACCT."338"

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MULTIPLE CHOICE	
1	A A
2	C C
3	C
4	C
5	A A
6	d
7	C
8	B
9	C
10	A B
11	C
12	D
13	A A
14	C
15	A
16	A
17	B
18	B
19	B
20	C
21	A
22	A A
23	A A
24	A
25	A B
26	A d
27	A
28	B

True & FALSE	
1	T
2	F
3	F T
4	T
5	T
6	T
7	T
8	T
9	T
10	T

0

5

PART ONE: MULTIPLE CHOICE

1. The traditional business model of accounting is inadequate for governments and for not-for-profit organizations primarily because business differ from governments and for not-for-profit organizations in that

- a. They have different missions
- b. They have fewer assets
- c. They assets are intangible
- d. Taxes are a major expenditure of business

2. If business are "governed by the marketplace," governments are governed by

- a. Legislative
- b. Taxes

c. Budgets

d. State constitutions

3. The primary objective of not-for-profit organization or governments is to

- a. Maximize revenues
- b. Minimize expenditures
- c. provide services to constituents
- d. All of the above

4. In governments ,in contrast to businesses

- a. Expenditures are driven mainly by the ability of the entity to raise revenues
- b. The amount of revenues collected is a signal of the demand for services

c. There may not be a direct relationship between revenues raised and the demand for the entity's services

d. The amount of expenditures is independent of the amount of revenues collected

5. The organization responsible for setting accounting standards for state and local governments is the

a. FASB

b. GASB

c. FASAB

d. AICPA

6. Governments differ from businesses in that they

a. Do not raise capital in the financial markets

b. Do not engage in transactions in which they "sell" goods or services

c. Are not required to prepare annual financial reports

d. Do not issue common stock

7. Interperiod equity refers to a condition whereby

a. Total tax revenues are approximately the same from year to year

b. Taxes are distributed fairly among all taxpayers regardless of income level

c. Current-year revenues are sufficient to pay for current-year services

d. Current-year revenues cover both operating and capital expenditures

8. Which of the following is not one of the GASBs financial reporting objectives ?

A. providing information on the extent to which interperiod equity is achieved

b. Ensuring that budgeted revenues are equal to or exceed budgeted expenses

c. Reporting on budgetary compliance

d. Providing information on service efforts and accomplishments

9. Which of the following is not one of the FASBS's financial reporting objectives ?

- a. Providing information about economic resources , obligations and net resources
- b. Providing information to help resources provider make rational decisions
- c. Reporting on budgetary compliance
- d. Providing information on service efforts and accomplishments

10. Oak Township issued the following bonds during the year :

Bonds to acquire equipment for a vehicle repair service that is accounted for in an internal service fund \$3000000

Bonds to construct a new city hall \$ 8000000

Bonds to improve its water utility , which is accounted for in an enterprise fund

\$ 9000000

The amount of debt to be reported in the general fund is

a. \$ 0

b. \$ 3000000

c. \$ 8000000

d. \$ 20000000

11. Oak Township should report depreciation in which of the following funds :

- a. General fund
- b. Special revenue funds
- c. Internal service fund
- d. Capital projects fund

12. Assuming that Bravo County receives all of its revenues from unassigned property taxes, it is most likely to account for the activities of its police department in its

- a. Police department fund
- b. Police enterprise fund

c. Property tax fund

d. General fund

13. The city of Alpine incurred the following costs during the year in its property tax collection department:

Purchase of computer equipment	\$ 10000
Salaries and wages	\$400000
Purchase of electricity from the city -owned electric utility	\$40000
Purchase of supplies, all of which were used during the year	\$10000

As a consequence of these transactions, the amount that Alpine should report as expenditures in its general fund is

- a. \$400000
b. \$410000
c. \$450000
c. \$460000

20000
40000
60000
90

14. Gove City received the following resources during the year:

Property taxes	\$50000000
A federal grant to acquire police cars	\$400000
Hotel taxes, which must be used to promote tourism	\$3000000
Proceeds of bonds issued to improve the city's electric utility	\$12000000

The amount that the city should most likely report as revenues in its special revenues funds is

- a. \$400000
b. \$3000000
c. \$3400000
d. \$15400000
e. \$65400000

75 3400000

15. A city issues \$20million of general obligation bonds to improve its streets and roads. In accordance with the bond covenants it committed \$1 million to help ensure that it is able to meet its first payment of principle and \$0.1million for its first payment of interest. The amount of liability that the city should report in its debt service fund is

- a. \$0
- b. \$18.9 million
- c. \$19 million
- d. \$20 million

16. During the year , Brain county collects \$12million of property taxes on behalf of Urton Township .Of this amount it remits \$10million to the township , expecting to remit the balance shortly after the end of its fiscal year .The amount of revenue that the county should report is

- a. \$0
- b. \$2 million
- c. \$ 10 million
- d. \$ 12 million

17. The city of Round Lake receives a contribution of \$20 million .The donor stipulates that the money is to be invested .The principle is to remain intact ,and the investment proceeds are to be used to support a city –owned nature center .The city should report the contribution in a

- a. Special revenue fund
- b. Permanent fund
- c. Fiduciary fund
- d. Agency fund

18. The Summerville preparatory school(a private school) receives a donation of \$14 million . The donor stipulates that the entire amount must be used to construct a new athletic field house .The school should classify the donation as

- a. Unrestricted
- b. Temporarily restricted
- c. Permanently restricted
- d. Semi-restricted

19. Under GASB statement No.54 , what is the hierarchy classification of fund balances?

- a. Spendable , unrestricted, committed ,assigned, unassigned
- b. Non Spendable , restricted, committed ,assigned, unassigned
- c. Nonspendable , unrestricted, committed ,assigned, unassigned
- d. Spendable , restricted, uncommitted ,assigned, unassigned

20. Appropriation budgets are typically concerned with

- a. The details of appropriation expenditures
- b. Long –term revenues and expenditures
- c. Current operating revenues and expenditures
- d. Capital outlays

21 . Which of the following types of budgets would be most likely to include a line item "purchase of supplies "?

- a. Object classification
- b. Performance
- c. Capital
- d. Program

22. Appropriation are made during which phase of the budget cycle ?

- a. Preparation
- b. Legislative adoption and executive approval
- c. Execution
- d. Reporting and auditing

23. In adopting and reporting the budget a government should

- a. Debit estimated revenues and credit revenues
- b. credit estimated revenues and debit fund balance
- c. Debit revenues and credit fund balance
- d. Debit estimated revenues and credit fund balance

24. In closing budgetary and expenditure accounts at year –end a government should

- a. Debit appropriations and credit expenditures
- b. Credit appropriations and debit expenditures
- c. Debit expenditures and credit fund balance
- d. Credit appropriations and debit fund balance

25. The prime function of budgetary entries is to

- a. Apportion appropriated expenditures to specific account
- b. Help the government monitor revenues and expenditures
- c. Amend the budget during the year
- d. Facilitate the year –end budget-to-actual comparisons

26. A government should debit an expenditure account upon

- a. Reporting the budget
- b. Approving an apportionment
- c. Ordering supplies
- d. Reporting the receipt of an invoice from its telephone service provider

27. If a government record the budget, and actual revenues exceed budgeted revenues ,what would be the impact on the year –end financial statement ?

- a. The difference between actual and budgeted revenues would be reported on neither the balance nor the statement of revenues and expenditures
- b. The difference between actual and budgeted revenues would be recorded as a budgetary reserve on the balance sheet
- c. The difference between actual and budgeted revenues would be shown as a revenue contra account on the statement of revenues and expenditures
- d. The actual revenues would be shown on the statement of revenues and expenditures as a deduction from estimated revenues

28. A “cash basis “budget relative to a “modified accrual basis “ budget

- a. Better facilitates the preparation of year –end financial statement in accordance with generally accepted accounting principle
- b. Better facilitates the day-to day management of an organizations cash flows
- c. Limited opportunities of an entity to balance its budget by arbitrarily delaying cash payments from one period to the next
- d. Better ensures that a government will achieve interperiod equity

PART TWO: TRUE OR FALSE SENTENCES

- T 1. A government budget is forced by force of law. T
- F 2. Because government officials face election every two or three years, they don't avoid unpopular measure.
- F 3. Accounting is the most important objective in government organization.
- F 4. GASB 34 states that we should prepare two sets of financial statement.
5. Refundable Deposit should be recorded in agency fund.
- T 6. Agency fund isn't included in government-wide statement.
- T 7. Salaries expense can be determined exactly in government budget.
- ~~8.~~ 8. Budget can be defined: a flow of information and policies.
9. Budget is prepared by an organization and then submitted to legislative counsel.
- T 10. Encumbrances and expenditures should be closed end of period.

APR 10 2010 10:00 AM

ESSAY 1

- Listed below are the names of the two government-wide financial statements and the seven fund statements that should be included in the government's basic financial statements. Identify the appropriate basis of accounting, either modified accrual or full accrual, that should be used to prepare that statement.

_____ (a) Statement of Activities

_____ (b) Statement of Fiduciary Net Assets

_____ (c) Statement of Cash Flows

_____ (d) Statement of Revenues, Expenses, and Changes in Fund Net Assets

_____ (e) Statement of Revenues, Expenditures, and Changes in Fund Balance

_____ (f) Balance Sheet

_____ (g) Statement of Net Assets (or a Balance Sheet)

_____ (h) Statement of Net Assets

_____ (i) Statement of Changes in Fiduciary Net Assets

ESSAY 2

The newly established Environmental Council (a not-for-profit organization) uses two funds for internal reporting purposes. The general fund is used to record day-to-day operating transactions. A building fund is used to accumulate resources for a new building to house the Council's operations. Both funds are reported using the accrual basis of accounting. In its first year, the Council engaged in the following transactions: *modified*

1. It received cash contributions of \$500,000; \$100,000 of which donors stipulate must be used for the new building.
2. It incurred operating payroll costs of \$200,000, of which \$180,000 is paid in cash.
3. It earned \$1,000 in interest (paid in cash) on investments restricted to the acquisition of the new building.
4. It transferred \$25,000 from its general fund to the building fund.
5. It paid \$15,000 in fees (accounted for as expenses) for architectural drawings for the proposed building.

Required: *Building fund* contribution Rev 100000 *Building fund* interest expenditure 1000 cash 1000

1. Prepare journal entries to record the transactions. Be sure to indicate the fund in which the entry would be made.
2. Prepare a statement of revenues, expenses and other changes in fund balances. Use a two-column format, one column for each of the Council's two funds.

general fund
 ① cash ~~500000~~ 400000
 contribution Rev ~~500000~~ 400000
~~Building fund~~
~~cash 100000~~
~~contribution Rev 100000~~

Building fund
~~cash 1000~~
~~interest expenditure 1000~~

② *General fund*
 payroll expenditure ~~200000~~ 180000
 cash 180000

④ *General fund*
 dr. Transfer out 25000
 cr. cash 25000
 Debit service fund
 dr. cash 25000
 cr. Transfer in 25000

~~Building fund~~ *capital project fund*
 dr. expenditure 15000
 cr. cash 15000
Capital Building fund

Environmental Council
 Revenue and ~~Expenditure~~ ~~Expenses~~ statement
 29/4/2014

Revenue	<u>general fund</u>	<u>capital project (Building) fund</u>	capital project fund Total
Revenue contribution	400	100 100	500
Total Revenue	400000	100000	500
Expenditure expenditure			
payrol expenditure	(180000)	15000	
Interest expenditure		(11000)	
excess of Rev over expenditure			
other Revenue expenditure			
transfers			
transfers			
transfer to capital project fund			
transfers transfer to (25000)		(25000)	
transfers Fund Balance	220000		6000

20000	220	400000
		180000
		<hr/>
50000		50000
180000		-180000
16000		1000
1000		25000
15000		+25000
15000		15000