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MID TERM EXAM
ACCT 333

NAME AND # : Loai Qad #1132085

TRUE/FALSE (5 MARKS)

- 1. If government were required to budget on a full accrual basis, their balanced budget might become unbalanced. **F**
- 2. One of the most important of GASB objectives is to provide information about budgetary compliance. **F**
- 3. The most important user of FS of government and not for profit is employees. **F**
- 4. Governments can issue tax-exempt debt while NFP cannot. **T**
- 5. Restricted fund balance include amounts that can be used only for specific purpose imposed by governing board or council. **T**
- 6. Few types of revenue can be determined accurately in advance of the budget period. **T**
- 7. Salary is an example of unpredictable expenditures for the budget. **F**
- 8. One type of private purpose trust fund is escheat trust fund. **T**
- 9. Most governments budget on cash basis or modified cash basis. **T**
- 10. Hierarchy classification of fund balance is: nonspendable, non restricted committed, assigned. **F**

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- c. No No
- d. Yes Yes

5. Which of the following funds of a governmental unit recognizes revenues only in the accounting period in which they become available and measurable in their fund financial statements?

- | | <u>General Fund</u> | <u>Enterprise Fund</u> |
|-------------------------------------|---------------------|------------------------|
| <input checked="" type="radio"/> a. | Yes | No |
| <input type="radio"/> b. | No | No |
| <input type="radio"/> c. | No | Yes |
| <input type="radio"/> d. | Yes | Yes |

6. When a purchase order is released, a commitment is made by a governmental unit to buy a computer to be manufactured to specifications for use in property tax administration. This commitment should be recorded in the general fund as a (an):

- a. Appropriation.
- b. Fixed asset.
- c. Encumbrance.
- d. Expenditure.

7. A county's balances in the general fund included the following

Appropriations	\$ 745,000
Encumbrances	37,250
Expenditures	298,000
Vouchers payable	5,475

What is the remaining amount available for use by the county?

- a. \$447,000
- b. \$391,125
- c. \$353,875
- d. \$409,750

8. Which of the following is (are) supportive of interperiod equity as a financial reporting objective of a governmental unit?

- b. Debit estimated expenditures control.
- c. Credit estimated expenditures control.
- d. Credit appropriations control.

13. Which of the following accounts of a governmental unit is credited when taxpayers are billed for property taxes?

- a. Estimated revenues.
- b. Revenues.
- c. Taxes receivable current.
- d. Appropriations.

14. Encumbrances outstanding at year-end in a state's general fund would most likely be reported as a:

Reserve for encumbrances.

- a. Liability in the general fund.
- b. Liability in the general long-term debt account group.
- c. Fund balance restriction in the general fund.
- d. Fund balance commitment in the general fund.

15. Dayne County's general fund had the following disbursements during the year:

Payment of principal on long-term debt	\$ 100,000
Payments to vendors	500,000
Purchase of a computer	300,000 ✓

What amount should Dayne County report as expenditures in its governmental funds statement of revenues, expenditures and changes in fund balances?

- a. \$900,000
- b. \$300,000
- c. \$800,000
- d. \$500,000

16. It is inappropriate to record depreciation expense in a(an)

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Transfer from Fir's general fund 100,000

In its Year 1 capital projects fund operating statement, Fir should report these amounts as:

	<u>Revenues</u>	<u>Other Financing Sources</u>
<input type="radio"/> a.	\$1,000,000	\$0
<input type="radio"/> b.	\$900,000	\$100,000
<input checked="" type="radio"/> c.	\$400,000	\$600,000
<input type="radio"/> d.	\$0	\$1,000,000

21. Which of the following funds of a governmental unit records depreciation?

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

22. Taxes collected and held by Franklin County for a separate school district would be accounted for in which fund?

- a. Special revenue
- b. Agency
- c. Trust
- d. Internal service

23. Government-wide financial statements would include all government-wide activities associated with operational accountability for all activities except:

- a. Component Unit Activities.
- b. Fiduciary Activities.
- c. Governmental Activities.
- d. Business-type Activities.

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~~Accounting~~
Account

PROBLEMS

P. 3-1

Is accrual-based budgeting preferable to cash-based budgeting?

The Disability Research Institute receives its funding mainly from government grants and private contributions. In turn, it supports research and related projects carried out by universities and other not-for-profits. Most of its government grants are reimbursement (expenditure-driven) awards. That is, the government will reimburse the institute for the funds that it disburses to others.

The institute estimates that the following will occur in the forthcoming year:

- It will be awarded \$5 million in government grants, all of which will be paid out to subrecipients during the year. Of this amount, only \$4.5 million will be reimbursed by the government during the year. The balance will be reimbursed in the first six months of the next year. The institute will also receive \$200,000 in grant funds that were due from the previous year.
- It will receive \$600,000 in pledges from private donors. It expects to collect \$450,000 during the year and the balance in the following year. It also expects to collect \$80,000 in pledges made the prior year.
- It will purchase new furniture and office equipment at a cost of \$80,000. It currently owns its building, which it had purchased for \$800,000, and additional furniture and equipment, which it acquired for \$250,000. The building has a useful life of twenty-five years; the furniture and equipment have a useful life of five years.
- Employees will earn wages and salaries of \$340,000, of which they will be paid \$320,000 during the forthcoming year and the balance in the next year.
- It will incur other operating costs of \$90,000, of which it will pay \$70,000 in the forthcoming year and \$20,000 in the next year. It will also pay another \$10,000 in costs incurred in the previous year.

1. Prepare two budgets, one on a cash basis and the other on a full accrual basis. For convenience show both on the same schedule, with the cash budget in one column and the accrual in the other column.
2. Comment on which budget better shows whether the institute is covering the economic cost of the services that it provides.
3. Which is likely to be more useful to
 - a. Institute managers?
 - b. Members of the institute's board of trustees?
 - c. Bankers from whom the institute seeks a loan?

P. 3-2

Missing data can be derived, and journal entries constructed, from information in the accounts.

The following schedule shows the amounts (in thousands) related to expenditures that a city welfare department debited and credited to the indicated accounts during a year (not necessarily the year-end balances), excluding closing entries. The department records its budget, encumbers all of its expenditures, and initially vouchers all payments.

Some information is missing. You are to determine the missing data and construct all entries (in summary form), excluding closing entries, that the department made during the year.

	(in thousands)	
	Debit	Credit
Cash	\$0	\$28
Vouchers payable	?	?
Estimated expenditures (Appropriations)	0	55
Encumbrances	?	?
Expenditures	30	0
Reserve for encumbrances	32	50
Fund balance—unassigned	?	0

P. 3-3

Missing data can be derived, and journal entries constructed, from information in the accounts.

The following schedule shows the amounts related to supplies that a city debited and credited to the indicated accounts during a year (not necessarily the year-end balances), excluding closing entries. The city records its budget, encumbers all of its expenditures, and initially vouchers all payments. All revenue was collected in cash.

Some information is missing. By reconstructing the entries that the city made during the year, you are to determine the missing data and construct the journal entries (in summary form), excluding closing entries.

	(in thousands)	
	Debit	Credit
Cash	\$117	\$?70
Estimated revenues	120 ?	0
Revenues	0	?117
→ Vouchers payable	70	54
Appropriations	0	115 ?
Encumbrances	93 ?	58
Expenditures	54 ?	0
Reserved for encumbrances	58 ?	93
Fund balance—unassigned	115	120

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QUIZ1



1. A primary characteristic that distinguishes governmental entities from business entities is
 - a) the need to generate revenues equal to or in excess of expenditures/expenses.
 - b) the importance of the budget in the governing process.
 - c) the need to provide goods or services.
 - d) the correlation between revenues generated and demand for goods or services.

2. Which of the following characteristics is NOT a characteristic that may distinguish a governmental or not-for-profit entity from a business entity?
 - a) There is often no direct link between revenues generated and expenditures/expenses incurred.
 - b) Capital assets may neither produce revenues nor save costs.
 - c) Revenues may not be indicative of demand for goods and services.
 - d) The mission of the entity will determine the goods or services provided.

3. The most significant financial document provided by a governmental entity may be
 - a) the balance sheet.
 - b) the operating statement.
 - c) the operating budget.
 - d) the cash flow statement.

4. Which of the following statements is NOT true?
 - a) All governmental entities engage in similar activities.
 - b) There are many different types of governments.
 - c) Governments may engage in activities similar to activities engaged in by for-profit entities.
 - d) Managers may have a short-term focus and thereby sacrifice the long-term viability of the entity.

5. Which of the following activities is NOT an activity in which a governmental entity might engage?
 - a) Selling electric power.
 - b) Operating a golf course.
 - c) Operating a book store.
 - d) All of the above are activities that might be carried out by a government.

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