AGA GFMC Practice Questions

Shared by Wilkinson on 10-11-2026

For More Free Questions and Preparation Resources

Check the Links on Last Page

Question 1

Question Type: MultipleChoice

Which of the following includes the aggregate level and types of risks that the organization is willing to assume in

order to achieve its Strategic objectives?

Options:

A- risk register
B- risk and control evaluation matrix
C- risk profile
D- risk and control assessment tool

Answer:

C

Explanation:

What Is a Risk Profile?

A risk profile represents the aggregate level and types of risks that an organization is willing to accept in pursuit of its strategic objectives. It aligns with the organization's risk appetite and tolerance and helps prioritize and manage risks effectively.

This profile typically includes key risks, their likelihood, and potential impact, as well as how those risks align with the organization's mission and strategy.

Why Is Risk Profile the Correct Answer?

The risk profile provides an enterprise-wide view of risks and their potential influence on achieving strategic goals. It aggregates risks across all levels of the organization and ensures that management considers them when making decisions.

Why Other Options Are Incorrect:

A . Risk Register: While a risk register includes detailed descriptions of individual risks, it does not aggregate risk levels or types across the organization.

B . Risk and Control Evaluation Matrix: This tool evaluates specific risks and controls but does not capture the organization's overall risk appetite or profile.

D . Risk and Control Assessment Tool: This is a generic tool for assessing risks and controls, not for aggregating the overall risk picture.

Reference and Documents:

OMB Circular A-123: Specifies the need for agencies to maintain a risk profile as part of enterprise risk management.

COSO ERM Framework (2017): Defines a risk profile as central to managing risks in alignment with strategic objectives.

Question 2

Question Type: MultipleChoice

Performance measures that report the results of providing goods or services are known as

Options:

A- activity measures.
B- outcome measures.
C- output measures.
D- workload measures.

Answer:

C

Explanation:

Definition of Output Measures:

Output measures track the results of providing goods or services, such as the number of items produced or services delivered.

These measures focus on quantity rather than quality or outcomes.

Explanation of Answer Choices:

A . Activity measures: Incorrect. Activity measures refer to inputs or processes, not results.

B . Outcome measures: Incorrect. Outcome measures assess the impact or effectiveness of a program, not the quantity of goods/services provided.

C . Output measures: Correct. Output measures focus on results (e.g., number of services delivered).

D . Workload measures: Incorrect. Workload measures assess the volume of work performed but do not necessarily report on the results.

GASB, Performance Measurement Concepts.

GAO, Performance Auditing Standards and Guidance.

Question 3

Question Type: MultipleChoice

The Federal Credit Reform Act of 1990 prescribes a special budget treatment for direct loans and loan guarantees

that measures cash flows to and from the government using which financial analytical technique?

Options:

A- future value
B- net present value
C- current value
D- regression analysis

Answer:

B

Explanation:

Federal Credit Reform Act of 1990: This Act established a new accounting framework for federal credit programs, such as direct loans and loan guarantees. It requires using the net present value (NPV) method to measure the costs of loans and guarantees by discounting future cash flows (e.g., loan repayments, defaults) to their present value.

Explanation of Financial Analytical Technique:

Net Present Value (NPV): Accounts for the time value of money by discounting future cash flows to the present. It provides an accurate measure of the economic cost to the government.

Other options:

A . Future value: Focuses on future cash flows, not their present cost.

C . Current value: Not a recognized technique for analyzing long-term cash flows.

D . Regression analysis: A statistical method, unrelated to calculating loan program costs.

Federal Credit Reform Act of 1990, Section 502.

Congressional Budget Office (CBO), Federal Credit Program Cost Analysis.

Office of Management and Budget (OMB), Circular A-11: Credit Reform Accounting.

Question 4

Question Type: MultipleChoice

Under the control environment component of internal control, management should

Options:

A- demonstrate a commitment to integrity and ethical values.
B- implement control activities through policies.
C- communicate quality information to achieve the entity's objectives.
D- establish and operate activities to monitor the internal control system.

Answer:

A

Explanation:

Control Environment Component:

The control environment is the foundation of an internal control system, setting the tone at the top.

Demonstrating integrity and ethical values is the first principle of the control environment, as outlined in the COSO Internal Control Framework.

Explanation of Answer Choices:

A . Demonstrate a commitment to integrity and ethical values: Correct. This is a foundational principle of the control environment.

B . Implement control activities through policies: This relates to the 'Control Activities'

component, not the control environment.

C . Communicate quality information to achieve the entity's objectives: This relates to the 'Information and Communication' component.

D . Establish and operate activities to monitor the internal control system: This relates to the 'Monitoring Activities' component.

COSO, Internal Control - Integrated Framework.

GAO, Standards for Internal Control in the Federal Government (Green Book).

Question 5

Question Type: MultipleChoice

Government performance measurement promotes

Options:

A- responsibility.
B- profitability.
C- accountability.
D- cash availability.

Answer:

C

Explanation:

What Is Government Performance Measurement?

Government performance measurement is the process of setting goals, tracking progress, and evaluating outcomes for government programs and services. This system ensures that public funds are used effectively and that programs achieve intended results.

How Does It Promote Accountability?

Accountability is the primary goal of performance measurement. It holds government officials and agencies responsible for managing public resources efficiently and achieving measurable outcomes.

By measuring performance, governments can transparently demonstrate how resources are being used and whether programs are meeting their objectives.

Why Other Options Are Incorrect:

A . Responsibility: While responsibility is important, it refers more to the assignment of duties, not the system of holding entities accountable.

B . Profitability: Governments are not profit-driven organizations; their focus is on service delivery, not profits.

D . Cash Availability: Performance measurement focuses on outcomes, not managing cash flows.

Reference and Documents:

Government Performance and Results Act (GPRA): Promotes accountability through performance measurement and reporting.

GAO Report on Performance Accountability: Emphasizes the role of performance measurement in achieving government accountability.

Question 6

Question Type: MultipleChoice

Who holds main responsibility for establishing internal controls?

Options:

A- ccountants
B- internal auditors
C- management
D- audit committee

Answer:

C

Explanation:

Responsibility for Internal Controls:

Management holds the primary responsibility for establishing, implementing, and maintaining an organization's internal control system.

This responsibility is outlined in frameworks such as COSO's Internal Control - Integrated Framework and the GAO's Green Book.

Roles of Other Parties:

A . Accountants: While accountants may assist in designing or assessing controls, they are not primarily responsible.

B . Internal auditors: Their role is to evaluate the effectiveness of controls, not establish them.

D . Audit committee: Provides oversight but does not implement or design controls.

COSO, Internal Control - Integrated Framework.

GAO, Standards for Internal Control in the Federal Government (Green Book).

Question 7

Question Type: MultipleChoice

A key element in coputer-assisted audit techniques is

Options:

A- writing the system audit program.
B- verifying internal controls.
C- obtaining appropriate data.
D- purchasing data mining software.

Answer:

C

Explanation:

Definition of Computer-Assisted Audit Techniques (CAATs):

CAATs use software tools to perform audit tasks such as data analysis, testing transactions, and evaluating internal controls.

Obtaining accurate and relevant data is a key first step, as it forms the basis of any analysis performed using CAATs.

Explanation of Answer Choices:

A . Writing the system audit program: This is part of audit planning but not a specific feature of CAATs.

B . Verifying internal controls: While CAATs can be used to test controls, obtaining data is fundamental to this process.

C . Obtaining appropriate data: Correct. CAATs rely on accurate, relevant, and complete data for meaningful analysis.

D . Purchasing data mining software: While software is a tool for CAATs, the focus is on using data, not on acquiring the software itself.

Information Systems Audit and Control Association (ISACA), Guide to Computer-Assisted Audit Techniques.

Association of Government Accountants (AGA), Data Analytics and Auditing Best Practices.

Question 8

Question Type: MultipleChoice

A governmental attestation engagement may include a requirement to

Options:

A- monitor a subgrantee for compliance to the grant restrictions.
B- establish a policy concerning fraud prevention.
C- monitor purchasing card charges for compliance with travel policies.
D- review the revenue coverage requirements on outstanding bonds.

Answer:

D

Explanation:

Governmental Attestation Engagements:

These engagements involve providing assurance on specific elements of financial or non-financial information, such as compliance with laws, contracts, or bond covenants.

Reviewing revenue coverage requirements for outstanding bonds fits the scope of attestation engagements, which focus on confirming adherence to specific requirements.

Explanation of Answer Choices:

A . Monitor a subgrantee for compliance to the grant restrictions: Monitoring is a management responsibility, not typically part of an attestation engagement.

B . Establish a policy concerning fraud prevention: Establishing policies is a management duty, not a task for auditors.

C . Monitor purchasing card charges for compliance with travel policies: Monitoring is operational, not attestation-related.

D . Review the revenue coverage requirements on outstanding bonds: Correct. This falls within the scope of attestation engagements.

GAO, Government Auditing Standards (Yellow Book).

AICPA, Attestation Standards for Government Engagements.

Question 9

Question Type: MultipleChoice

The National Performance Management Advisory Commission established a comprehensive framework that

incorporates performance measurement into the

Options:

A- internal control plan.
B- financial statements.
C- audit procedures.
D- budget process.

Answer:

D

Explanation:

National Performance Management Advisory Commission Framework:

The National Performance Management Advisory Commission developed a comprehensive framework to integrate performance measurement into government operations.

One of its primary goals was to incorporate performance metrics into the budget process to align resource allocation with program outcomes.

This ensures that budgeting decisions are informed by program performance, improving efficiency and accountability.

Why the Budget Process?

By linking performance to budgeting, governments can prioritize funding for programs that demonstrate effectiveness and reduce funding for underperforming initiatives.

Why Other Options Are Incorrect:

A . Internal control plan: Internal controls focus on risk management, not incorporating performance measurement.

B . Financial statements: Performance metrics are not reported in financial statements, which focus on financial position and results.

C . Audit procedures: Audits verify financial accuracy and compliance but do not incorporate performance measurement.

Reference and Documents:

National Performance Management Advisory Commission Report (2010): Recommends integrating performance measurement into the budget process.

GAO Guide on Performance Budgeting: Explains how performance metrics inform budget decisions.

Question 10

Question Type: MultipleChoice

Which of the following is a forensic technique used to quantify the impact of fraud?

Options:

A- test of controls
B- computer-assisted audit techniques
C- data integrity
D- benchmarking

Answer:

B

Explanation:

What Are Computer-Assisted Audit Techniques (CAATs)?

CAATs are specialized tools used in forensic accounting and auditing to analyze large volumes of data for patterns, anomalies, and irregularities that may indicate fraud.

These techniques help quantify the impact of fraud by identifying discrepancies, overpayments, or unaccounted transactions.

Why Are CAATs Used for Quantifying Fraud?

CAATs can efficiently analyze transactional data, calculate losses, and determine the extent of financial damage caused by fraud.

Examples include using software to detect duplicate payments, inflated invoices, or unauthorized transactions.

Why Other Options Are Incorrect:

A . Test of controls: Tests of controls evaluate the effectiveness of internal controls but do not quantify the impact of fraud.

C . Data integrity: Ensuring data integrity is important, but it does not specifically address quantifying fraud.

D . Benchmarking: Benchmarking compares performance metrics but does not analyze or quantify fraud.

Reference and Documents:

GAO Fraud Prevention Framework: Highlights the use of CAATs in forensic accounting.

AICPA Forensic Accounting Guidelines: Recommends CAATs for fraud detection and quantification.

Question 11

Question Type: MultipleChoice

What is the basis for determining materiality for financial audits?

Options:

A- The auditee determines what is material based on their understanding of how the financial statements
may be used by third parties.
B- The auditor establishes materiality based on whether a misstatement would influence the judgement
made by a reasonable user of the financial statements.
C- The entity's main provider of resources typically sets materiality levels for financial reporting.
D- The auditor sets a standard percentage for all entities by transaction class.

Answer:

B

Explanation:

Definition of Materiality:

In financial audits, materiality is the threshold above which a misstatement or omission could influence the economic decisions of users of financial statements.

Auditors consider the needs of reasonable users when determining materiality, focusing on what would influence their decision-making.

Explanation of Answer Choices:

A . The auditee determines what is material: Incorrect. The auditor, not the auditee, is responsible for determining materiality.

B . The auditor establishes materiality based on whether a misstatement would influence the judgment made by a reasonable user of the financial statements: Correct. This aligns with auditing standards, such as those in the Yellow Book and AICPA guidance.

C . The entity's main provider of resources typically sets materiality levels: Incorrect. Materiality is not determined by resource providers but by the auditor based on the needs of users.

D . The auditor sets a standard percentage for all entities by transaction class: Incorrect. Materiality varies depending on the entity and its financial circumstances.

GAO, Government Auditing Standards (Yellow Book).

AICPA, Auditing Standards -- Materiality in Planning and Performing an Audit.

Question 12

Question Type: MultipleChoice

Forensic accounting includes performance of all of the following tasks EXCEPT

Options:

A- auditing accounting records to prove or disprove fraud.
B- preventing fraud.
C- interviewing all related parties to fraud.
D- serving as an expert witness.

Answer:

B

Explanation:

What Is Forensic Accounting?

Forensic accounting involves investigating financial records to detect fraud, gather evidence, and support legal proceedings. It focuses on identifying and responding to fraud rather than proactively preventing it.

Tasks Performed in Forensic Accounting:

Auditing accounting records (Option A): Forensic accountants review records to uncover irregularities or fraud.

Interviewing related parties (Option C): They conduct interviews to gather information and evidence.

Serving as an expert witness (Option D): Forensic accountants often testify in court to explain their findings.

Why Prevention Is Not Part of Forensic Accounting:

Preventing fraud is typically the responsibility of internal controls, management, and auditors, not forensic accountants. Forensic accounting is reactive, addressing fraud that has already occurred.

Reference and Documents:

GAO Forensic Auditing Standards: Highlights the role of forensic accounting in investigating, not preventing, fraud.

AICPA Forensic and Valuation Services Practice Aid: Focuses on investigative and litigation support tasks performed by forensic accountants.

P2P exams

P2P exams

To Get Premium Files for GFMC Visit

https://www.p2pexams.com/products/gfmc

For More Free Questions Visit

https://www.p2pexams.com/aga/pdf/gfmc

