

Chapter 10– Advanced Accounting, 3rd Edition by Hamlen, Huefner and Largay

Solutions to Practice Quiz

1. Topic: Governmental reporting entity

LO 1

Answer: c

Rationale: The water authority's debt is secured by its future water revenues; the county is liable for the debt or controls the board of the other entities.

2. Topic: Sources of GAAP for state and local governments

LO 1

Answer: d

Rationale: GASB *Statements and Interpretations* are established by SGAS 55 as Level 1 in the GAAP hierarchy.

3. Topic: Fund types and reporting structure

LO 2

Answer: c

Rationale: Goods and services provided for a fee are reported in proprietary funds. If the customer is another governmental unit, an internal service fund is used. If the customer is the public, an enterprise fund is used.

4. Topic: Fund types and reporting structure

LO 2

Answer: b

Rationale: Special revenue, debt service, and general fund are governmental funds using modified accrual accounting. Payment of bond principal and interest both reduce fund balance, and the payment is reported as an expenditure. Enterprise funds use full accrual accounting, and payment of bond principal reduces the bond liability.

5. Topic: Fund types and reporting structure

LO 2

Answer: a

Rationale: General administrative costs are usually reported in the general fund.

6. Topic: General fund accounting, budget entry
LO 3

Answer: c

Rationale: The budget entry is as follows:

Estimated revenues	1,100,000	
Estimated other financing sources	125,000	
Fund balance—unassigned	5,000	
Appropriations		1,230,000

7. Topic: General fund accounting, property tax revenues
LO 3

Answer: b

Rationale: The entries related to property taxes are:

Cash	1,080,000	
Property taxes receivable	70,000	
Allowance for uncollectible taxes		50,000
Property tax revenues		1,100,000

Adjust the allowance to 80% of \$70,000 = \$56,000:

Property tax revenues	6,000	
Allowance for uncollectible taxes		6,000

Property tax revenues balance: \$1,100,000 – \$6,000 = \$1,094,000.

8. Topic: General fund accounting, closing entries
LO 3

Answer: a

Rationale: The general fund's closing entries are:

Property tax revenues	1,094,000	
Other financing sources	120,000	
Fund balance—unassigned	11,000	
Estimated revenues		1,100,000
Estimated other financing sources		125,000
Appropriations	1,230,000	
Expenditures		1,228,000
Fund balance—unassigned		2,000

Net effect on fund balance—unassigned: \$11,000 debit – \$2,000 credit = \$9,000 debit.

9. Topic: General fund accounting, operating statement
LO 3

Answer: d

Rationale: Total expenditures = \$1,200,000 + \$28,000 = \$1,228,000

10. Topic: General fund accounting, operating statement
LO 3

Answer: b

Rationale: Total net other financing sources = the bond proceeds of \$120,000.