E18.1  Multiple-Choice Questions on Government Financial Reporting

1. a
2. d
3. b
4. a
5. a
6. b
7. a  $8,839,000 = assets of $14,839,000 minus liabilities of $6,000,000
8. c  $7,150,000 = capital assets (net) of $12,500,000 minus long-term debt of $5,350,000
9. c  $1,035,000 = net assets of $8,839,000 minus $7,150,000 minus $654,000
10. a  (answers b, c, and d each include a fiduciary fund which is not a major fund)
11. d
12. c
E18-2 Multiple-Choice Questions on Governmental Funds [AICPA Adapted]

1. d
2. b
3. a
4. c
5. c
6. b

E18-3 Multiple-Choice Questions on Proprietary Funds [AICPA Adapted]

1. b
2. d
3. d
4. b
5. c
6. c Prepaid insurance would be reported as an asset.
7. b
8. c
9. c
E18-4 Multiple-Choice Questions on Various Funds

1. c The additions - investment earnings include the $50,000 of dividends and the $35,000 of interest earned. The contribution is reported as an addition -contributions.

2. a The entries in the trust fund to record the resources spent would appear as follows:

   Deductions - Benefits 75,000
   Vouchers Payable 75,000

   Vouchers Payable 75,000
   Cash 75,000

3. d

4. d Income is determined as follows:

   Revenue – Charges for Services $100,000
   Operating Expenses (45,000)
   Depreciation Expense (40,000)
   Interest Expense (5,000)
   Income $ 10,000

5. c The assets at June 30, 20X7 appear as follows:

   Cash $ 96,000
   Due from Other Funds 7,000
   Computer Equipment (net) 610,000
   Total Assets $713,000

6. b This is an example of an interfund services provided or used transaction. The general fund would debit expenditures.

7. a This is an example of an interfund services provided or used transaction. The enterprise fund would debit operating expenses.

8. b The net assets would be for the $600,000 transfer in plus the $10,000 of income for the period.
E18-6 Capital Projects Fund Entries

a. Entries for capital projects fund during 20X2:

   1. Receipt of grant, sale of bonds and transfer of premium.
      January 1, 20X2
      Cash 50,000
      Revenue – County Grant 50,000
      Receipt of grant from county.

      January 1, 20X2
      Cash 156,000
      Other Financing Sources – Bond Issue 150,000
      Other Financing Sources – Bond Premium 6,000
      Sale of $150,000 par bonds at 104.

      November 3, 20X2
      Other Financing Uses – Transfer
      Out to Debt Service Fund 6,000
      Cash 6,000
      Transfer premium to debt service fund.

   2. Entries to record and pay for construction:
      April 5, 20X2
      ENCUMBRANCES 182,000
      BUDGETARY FUND BALANCE – RESERVED FOR ENCUMBRANCES 182,000

      August 8, 20X2
      BUDGETARY FUND BALANCE – RESERVED FOR ENCUMBRANCES 182,000
      ENCUMBRANCES 182,000

      Expenditures—Capital Outlay 189,000
      Contract Payable 189,000
      Establish contract payable for walkway.

      Expenditures—Capital Outlay 5,500
      Vouchers Payable 5,500
      Establish vouchers payable for added carpeting.

      November 3, 20X2
      Contract Payable 189,000
      Vouchers Payable 5,500
      Cash 194,500
      Pay contract payable and vouchers payable.

3. Close nominal accounts:
   Revenue – County Grant 50,000
   Other Financing Sources – Bond Issue 150,000
   Other Financing Sources – Bond Premium 6,000
   Fund Balance – Unreserved 206,000

E18-6 (continued)
4. Transfer of ending balance and close transfer account:
   Other Financing Uses – Transfer
   Out to Debt Service Fund 5,500
   Cash 5,500
   Record transfer of remainder to Debt Service.

Fund Balance – Unreserved 5,500
   Other Financing Uses – Transfer
   Out to Debt Service Fund 5,500
   Close transfer out against unreserved fund balance.

b.

City of Waterman
Capital Projects Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended December 31, 20X2

Revenue:
   County Grant $ 50,000

Expenditures:
   Capital Outlay 194,500
   Deficiency due to excess of Expenditures over Revenue $(144,500)

Other Financing Sources (Uses):
   Proceeds of Bond Issue $156,000
   Transfer Out to Debt Service Fund--Premium (6,000)
   Transfer Out to Debt Service Fund--Remainder (5,500)
   Total Other Financing Sources (Uses) 144,500

Net Change in Fund Balance $ -0-

Fund Balance, January 1, 20X2 -$0-

Fund Balance, December 31, 20X2 $-0-
E18-7 Debt Service Fund Entries and Statement

a. Entries for debt service fund during 20X2:

1. **ESTIMATED REVENUES CONTROL** 35,000
   
   **ESTIMATED OTHER FINANCING SOURCES** – TRANSFER IN 5,000
   
   **APPROPRIATIONS CONTROL** 34,000
   
   **BUDGETARY FUND BALANCE** 6,000
   
   Record budget.

2. Property Taxes Receivable 40,000
   
   Allowance for Uncollectibles 4,000
   
   Revenue – Property Tax 36,000
   
   Record tax levy.

   Cash 35,000
   
   Property Taxes Receivable 35,000
   
   Record tax collections.

   Property Taxes Receivable — Delinquent 5,000
   
   Allowance for Uncollectibles 4,000
   
   Property Taxes Receivable 5,000
   
   Allowance for Uncollectibles – Delinquent 1,000
   
   Revenue – Property Tax 3,000
   
   Revise estimate of uncollectibles and reclassify remaining receivables.

   Cash 6,000
   
   Other Financing Sources – Transfer in from Capital Projects Fund 6,000
   
   Receive bond premium.

3. Expenditures 30,000
   
   Matured Bonds Payable ($150,000 x 1/10 due) 15,000
   
   Matured Interest Payable ($150,000 x .10 interest) 15,000
   
   Record matured principal and interest.

   Matured Bonds Payable 15,000
   
   Matured Interest Payable 15,000
   
   Cash 30,000
   
   Pay matured principal and interest.

   Expenditures 1,700
   
   Vouchers Payable 1,700
   
   Record other expenditures.

   Vouchers Payable 1,200
   
   Cash 1,200
   
   Pay approved vouchers.
4. Cash
   Other Financing Sources – Transfer
     In From Capital Projects Fund
   Record transfer of unspent funds in
capital projects fund to debt service fund.

5. APPROPRIATIONS CONTROL
   BUDGETARY FUND BALANCE
   ESTIMATED REVENUES CONTROL
   ESTIMATED OTHER FINANCING
   SOURCES – TRANSFER IN
   Close budgetary accounts.

Revenue – Property Tax
Other Financing Sources – Transfer
   in from Capital Projects Fund ($6,000 +
$5,500)
   Close nominal accounts.

b. City of Waterman
   Debt Service Fund
   Balance Sheet
   December 31, 20X2

   Assets:
   Cash $15,300
   Property Tax Receivables (net) 4,000
   Total Assets $19,300

   Liabilities:
   Vouchers Payable $ 500
   Fund Balance:
     Reserved for Debt Service 18,800
   Total Liabilities and Fund Balance $19,300

c. City of Waterman
   Debt Service Fund
   Statement of Revenues, Expenditures,
   and Changes in Fund Balance
   For Fiscal Year Ended December 31, 20X2

Revenue:
   Property Taxes $39,000

Expenditures:
   Principal Retirement $15,000
   Interest 15,000
   Miscellaneous 1,700
   Total Expenditures 31,700

Excess of Revenue over Expenditures $ 7,300

Other Financing Sources (Uses):
   Transfers In From Capital Projects Fund $11,500

Net Change in Fund Balance $18,800

Fund Balance, January 1, 20X2 $0

Fund Balance, December 31, 20X2 $18,800
P18-13 Entries for Funds [AICPA Adapted]

<table>
<thead>
<tr>
<th>Fund</th>
<th>Journal Entries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. General Fund</td>
<td>ESTIMATED REVENUES CONTROL 400,000 APPROPRIATIONS CONTROL 394,000 BUDGETARY FUND BALANCE – UNRESERVED 6,000</td>
</tr>
<tr>
<td>2. General Fund</td>
<td>Taxes Receivable – Current 390,000 Revenue – Taxes 382,200 Allowance for Uncollectibles – Current 7,800</td>
</tr>
<tr>
<td>3. Private-Purpose Trust Fund</td>
<td>Investments 50,000 Contributions 50,000 Cash 5,500 Additions – Interest 5,500</td>
</tr>
<tr>
<td>4. General Fund</td>
<td>Other Financing Uses – Transfer Out to Internal Service Fund 5,000 Cash 5,000 Internal Service Fund 5,000 Transfer In from General Fund 5,000</td>
</tr>
<tr>
<td>5. Capital Projects</td>
<td>Cash 72,000 Other Financing Sources – Bond Issue 72,000 Due from General Fund 3,000 Other Financing Sources – Transfer In from General Fund 3,000 Debt Service Fund Special Assessments Receivable 24,000 Revenue – Special Assessments 24,000 General Other Financing Uses – Transfer Out to Capital Projects Fund 3,000 Due to Capital Projects Fund 3,000 6. General Fund</td>
</tr>
<tr>
<td>Fund</td>
<td>Journal Entries</td>
</tr>
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</tr>
</tbody>
</table>
| 7. Capital Projects Fund | ENCUMBRANCES 75,000  
BUDGETARY FUND BALANCE – RESERVED FOR ENCUMBRANCES 75,000 |
| Expenditures | 75,000  
Contracts Payable | 75,000 |
| Contracts Payable | 75,000 |
| Cash | 75,000 |
| 8. Internal Service Fund | Inventory of Supplies 1,900  
Cash (or Vouchers Payable) 1,900 |
| 9. General Fund | Cash 393,000  
Taxes Receivable – Current 386,000  
Revenue – Licenses and Fees 7,000 |
| Allowance for Uncollectibles – Current | 3,800  
Revenue – Taxes | 3,800 |
| Estimate | $7,800  
Actual | (4,000)  
Correction | $3,800 |
| 10. Capital Projects Fund | Cash 500,000  
Other Financing Sources – Bond Issue 500,000 |
| 11. General Fund | BUDGETARY FUND BALANCE – RESERVED FOR ENCUMBRANCES 15,000  
ENCUMBRANCES 15,000 |
| Expenditures | 15,000  
Cash | 15,000 |
E18-11 Multiple-Choice Questions on Government-wide Financial Statements

1. c  ($1,450,000 - $120,000)
2. a  [($1,450,000 - $120,000) - $780,000]
3. b
4. c  For the amount of the bond issue proceeds. Note that no repayments of debt were made during the year.
5. c  The interest adjustment is from the modified accrual basis ($30,000) to the accrual basis of measurement ($25,000).
6. d
7. c
8. b
9. c
10. b