Rutgers Municipal Capital and Trust Fund Accounting Practice Test (Sample)

Study Guide

BY EXAMZIFY

Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- **Practice answering questions under realistic conditions,**
- **Improve accuracy and speed,**
- **Review explanations to strengthen weak areas, and**
- **Approach the exam with greater confidence.**

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here’s how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don’t just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There’s no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

1. **In municipal accounting, which system is mandated for encumbrances?**
   - A. Cash receipts system.
   - B. Fixed asset system.
   - C. The encumbrance system.
   - D. Payroll system.

2. **How are year-end encumbrances shown on the balance sheet?**
   - A. They are recorded as a current liability.
   - B. They are shown as a reservation of fund balance (or a portion of assigned fund balance) and not as a liability.
   - C. They are recorded as long-term liabilities.
   - D. They are not shown on the balance sheet.

3. **The journal entry to set up an ordinance which is fully funded from the Capital Improvement Fund would include a credit to the account entitled 'Estimated Proceeds of Bonds and Notes Authorized but not issued.'**
   - A. Not stated
   - B. True
   - C. Not applicable
   - D. False

4. **The file will not be deemed completed until which document is received?**
   - A. A certified copy of the introduced bond ordinance
   - B. The agenda for the next council meeting
   - C. A certified copy of the adopted ordinance
   - D. A certificate of ordinance publication

5. **Callable bonds are those which contain a condition that the municipality may pay the principal at some future time before the maturity date of the bonds.**
   - A. True
   - B. False
   - C. They must be redeemed at maturity only
   - D. They cannot be redeemed early

6. What is a Pension Trust Fund and what does it report?

- **A. A Pension Trust Fund accounts for resources held in trust for employees' pension benefits; it reports net position restricted for pensions and investment earnings.**
- **B. It reports current service costs.**
- **C. It is used to accumulate capital assets.**
- **D. It reports government-wide net position.**

7. What happens to interfund transfers in government-wide statements?

- **A. They are eliminated in consolidation.**
- **B. They are recorded as interfund revenue.**
- **C. They are recorded as long-term liabilities.**
- **D. They are treated as contributions from owners.**

8. Which statement about the role of the general ledger is correct?

- **A. It records only payroll and not other transactions.**
- **B. It is intended to replace journals as the initial entry.**
- **C. It is used solely for generating cash flow forecasts.**
- **D. It provides for the orderly and systematic recording of financial transactions, usually in summary form, as they have been recorded in the journals.**

9. Which fund is designated specifically for capital improvements?

- **A. Capital Improvement Fund**
- **B. Capital Fund Balance**
- **C. Current Fund**
- **D. Debt Service Fund**

10. Which statement about Bond Anticipation Notes maturity is incorrect?

- **A. True**
- **B. Not specified**
- **C. False; the due date uses the fifth month**
- **D. False; the due date uses the last day of the fifth fiscal year**

Answers

1. C
2. B
3. D
4. C
5. A
6. A
7. A
8. D
9. A
10. C

Explanations

1. **In municipal accounting, which system is mandated for encumbrances?**

   A. Cash receipts system.

   B. Fixed asset system.

   C. The encumbrance system.

   D. Payroll system.

Encumbrances are a budgetary control tool used to reserve part of a government's appropriations for anticipated obligations. The mandated method for handling these is the encumbrance system, which records purchase commitments before the actual expenditure occurs. When a purchase order or contract is issued, an encumbrance is booked to show that funds are set aside, reducing the remaining available appropriations. This keeps the budget from being overspent and separates the commitment from the actual cash outlay. When the goods or services are received and the liability is liquidated, the encumbrance is released and an expenditure and payable are recorded, reflecting the actual transaction. The other systems serve different purposes: the cash receipts system tracks money coming into the government, the fixed asset system tracks long-lived property, and the payroll system handles employee compensation. They do not manage the budgetary encumbrance process, which is specifically about recording and controlling commitments against appropriations.

2. **How are year-end encumbrances shown on the balance sheet?**

   A. They are recorded as a current liability.

   B. They are shown as a reservation of fund balance (or a portion of assigned fund balance) and not as a liability.

   C. They are recorded as long-term liabilities.

   D. They are not shown on the balance sheet.

Encumbrances are budgetary commitments, not actual obligations yet. At year-end they don't represent a payable, so they aren't reported as a liability on the balance sheet. Instead, they reserve part of the fund balance (often shown as a reservation or as assigned fund balance) to indicate funds are set aside to cover those future purchases. This keeps the fund balance clear about what is already committed while leaving the rest available for other needs.

3. The journal entry to set up an ordinance which is fully funded from the Capital Improvement Fund would include a credit to the account entitled 'Estimated Proceeds of Bonds and Notes Authorized but not issued.'

A. Not stated

B. True

C. Not applicable

D. False

When a capital project is funded entirely from the Capital Improvement Fund, there are no unissued bond proceeds to anticipate. The account "Estimated Proceeds of Bonds and Notes Authorized but not issued" exists to record financing sources from bonds that have been authorized but not yet issued. If the ordinance is fully funded from the CIPF, you're not recognizing any unissued bond proceeds, so you would not credit that bond proceeds account. Instead, the funding comes from the CIPF resources themselves, recorded through the appropriate CIPF-to-project transfer or appropriation. So crediting the "Estimated Proceeds of Bonds and Notes Authorized but not issued" would be inappropriate in this scenario.

4. The file will not be deemed completed until which document is received?

A. A certified copy of the introduced bond ordinance

B. The agenda for the next council meeting

C. A certified copy of the adopted ordinance

D. A certificate of ordinance publication

When a bond issue is processed, the document that actually authorizes the debt is the ordinance that has been adopted by the governing body. A certified copy of that adopted ordinance is required because it is the official, authenticated record of the precise text and the adoption date, ensuring the debt is properly authorized and legally binding. The introduced ordinance is only a proposal and carries no final authority. The agenda for the next council meeting is just a scheduling item, not a controlling legal instrument. A certificate of ordinance publication shows the ordinance was published, but it does not substitute for possessing the certified copy of the adopted ordinance itself. So the file is not considered complete until you have the certified copy of the adopted ordinance.

5. **Callable bonds are those which contain a condition that the municipality may pay the principal at some future time before the maturity date of the bonds.**

   A. True

   B. False

   C. They must be redeemed at maturity only

   D. They cannot be redeemed early

A callable bond has a built-in feature that gives the issuer the right to repay the principal before the scheduled maturity date under specified conditions. The statement describes exactly that ability—the municipality may call the issue and pay it off early if the call provision is exercised. This flexibility is a fundamental characteristic of callable bonds and is often used to refinance debt when interest rates drop, potentially allowing the issuer to issue new bonds at a lower cost. While many bonds can be noncallable and must be redeemed at maturity, the defining trait of a callable bond is this early redemption option for the issuer.

6. **What is a Pension Trust Fund and what does it report?**

   A. A Pension Trust Fund accounts for resources held in trust for employees' pension benefits; it reports net position restricted for pensions and investment earnings.

   B. It reports current service costs.

   C. It is used to accumulate capital assets.

   D. It reports government-wide net position.

A Pension Trust Fund is a fiduciary fund that holds resources in trust to provide for employees' pension benefits. It uses accrual accounting and reports fiduciary net position—the assets minus liabilities—restricted for pensions. The investment earnings on those assets are also part of the restricted net position and are intended to fund future pension benefits. This is why it's the best choice: the fund's purpose is to safeguard and manage resources set aside for pension benefits, not to report current service costs (which are considered pension expense by the employer), not to accumulate capital assets, and not to present government-wide net position (which appears in the government-wide statements, not in fiduciary funds).

7. What happens to interfund transfers in government-wide statements?

A. They are eliminated in consolidation.

B. They are recorded as interfund revenue.

C. They are recorded as long-term liabilities.

D. They are treated as contributions from owners.

In government-wide statements, interfund transfers disappear through consolidation because the government is treated as a single economic entity. Transfers move resources between internal funds and do not represent resources coming from external sources, so they must be eliminated to avoid double counting when presenting the government as a whole. This means the transfers do not show up as revenue or as liabilities or as owner contributions in the government-wide financial statements. On the fund statements, you'll see them as transfers in or out, but those internal movements are removed when you prepare the government-wide statements to reflect the government's overall financial position.

8. Which statement about the role of the general ledger is correct?

A. It records only payroll and not other transactions.

B. It is intended to replace journals as the initial entry.

C. It is used solely for generating cash flow forecasts.

D. It provides for the orderly and systematic recording of financial transactions, usually in summary form, as they have been recorded in the journals.

The general ledger serves as the central, organized record of all financial activity, grouped by account and populated from postings of journal entries. Its role is to provide an orderly and systematic recording of transactions, usually in summary form, as they have been recorded in the journals. This setup lets you see each account's running balance, generate a trial balance, and ultimately prepare financial statements. It's not limited to payroll, not a substitute for the journals as the initial entry, and not solely for cash flow forecasts; instead, it consolidates all transactions from the journals into a complete, fund-wide (or entity-wide) view that supports reporting and controls.

9. Which fund is designated specifically for capital improvements?

A. Capital Improvement Fund

B. Capital Fund Balance

C. Current Fund

D. Debt Service Fund

The main idea is that capital improvements need their own dedicated funding vehicle. The Capital Improvement Fund is established specifically to accumulate and spend resources on major capital projects, such as infrastructure or facilities, separate from daily operations. A Capital Fund Balance is just a recorded amount within a fund, not a separate fund for improvements. A Current Fund handles day-to-day operating activities, and a Debt Service Fund is used to accumulate resources to pay interest and principal on debt. Therefore, the fund designated for capital improvements is the Capital Improvement Fund.

10. Which statement about Bond Anticipation Notes maturity is incorrect?

A. True

B. Not specified

C. False; the due date uses the fifth month

D. False; the due date uses the last day of the fifth fiscal year

Bond Anticipation Notes are short-term debt issued to bridge financing until bond proceeds are available to refinance. Because they are intended to be repaid or refinanced quickly, their maturity is limited to up to one year from issue, and the exact due date is set to align with when the bonds are expected to be issued, not with a fixed calendar pattern. The statement claiming the due date uses the fifth month is not correct because there is no rule that BAN maturities must fall on a specific calendar month. Likewise, tying a due date to the last day of the fifth fiscal year would exceed the typical short-term nature of BANs. So the idea that the due date is determined by a fixed fifth-month or five-year-fiscal-year rule is inaccurate; BANs are generally structured to mature within one year and to be settled when the anticipated bond issue occurs.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

https://rutgersmunicipalcaptrustfundacctg.examzify.com

We wish you the very best on your exam journey. You've got this!