RUTGERS MUNICIPAL CAPITAL AND TRUST FUND ACCOUNTING PRACTICE TEST (SAMPLE)

STUDY GUIDE

SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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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. Which statement about the final adoption voting requirement is true?

A. Final adoption requires a two-thirds vote of the full membership, counted as recorded affirmative votes.

B. Final adoption requires only a simple majority of those present.

C. Final adoption requires unanimous consent of the full membership.

D. Final adoption does not require any vote.

2. Except for expenditures from the Reserve for Preliminary Expenses, no expenditure for a capital project may be made from the Capital Fund without the adoption of an ordinance describing the project and specifying the source of funding.

A. True

B. False

C. It depends on project size

D. Only with a state grant

3. IRS policy allows tax-exempt interest for municipal bonds intended for public purposes and not to permit exemption when bonds are issued primarily to reinvest to exploit the spread.

A. True

B. Not stated

C. Not applicable

D. False

4. Which of the following is not a GASB 54 fund balance classification?

A. Nonspendable

B. Restricted

C. Assigned

D. Available

5. If an amendment substantially alters matters required by the Local Bond Law, when can the ordinance be finally adopted?

A. It can be finally adopted immediately after the amendment.

B. It cannot be finally adopted until at least two weeks after such amendment, with publication at least two days prior to the date for further consideration.

C. It cannot be finally adopted until at least one week after such amendment.

D. It cannot be finally adopted until at least one month after such amendment.

6. Which best describes a Special Revenue Fund?

A. Special Revenue Fund accounts for resources restricted for debt service only.

B. Special Revenue Fund accounts for resources restricted for trust and pension funds.

C. Special Revenue Fund accounts for resources restricted for a specific purpose other than capital projects or debt service; funded by grants, fines, or dedicated taxes.

D. Special Revenue Fund accounts for resources restricted for capital projects only.

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. How are compensated absences treated in government-wide statements versus governmental funds?

A. In government-wide statements, compensated absences are accrued as a liability and expense; in governmental funds, they are recognized as expenditures when paid or matured.

B. In government-wide statements, compensated absences are recognized as revenue; in governmental funds, they are liabilities.

C. Compensated absences are not recognized in either set of statements.

D. Compensated absences are recorded only as a liability in governmental funds.

9. In an emergency, a bond ordinance may be adopted if the net debt to average equalized valuation exceeds the debt limit after obtaining approval of which board?

A. Governor's Office

B. Municipal Board

C. Local Finance Board

D. State Tax Board

10. What does nonspendable fund balance include?

A. Amounts that can be spent freely.

B. Amounts that cannot be spent because they are in nonspendable form (inventories, prepaids) or because the principal of an endowment must be preserved.

C. Revenue that is not yet collected.

D. Funds that are locked by legislation.

Answers

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

Explanations

1. **Which statement about the final adoption voting requirement is true?**

   A. Final adoption requires a two-thirds vote of the full membership, counted as recorded affirmative votes.

   B. Final adoption requires only a simple majority of those present.

   C. Final adoption requires unanimous consent of the full membership.

   D. Final adoption does not require any vote.

The key idea is that final adoption requires a supermajority of the entire membership, not just a simple majority of those who vote. Specifically, you must have two-thirds of the full membership voting in the affirmative, with only affirmative votes counted toward that threshold. Abstentions, negatives, or members who are absent do not count as affirmative toward the two-thirds target. This makes final adoption quite stringent, ensuring broad consensus beyond just those who show up. For example, with twelve members, two-thirds is eight. You would need at least eight recorded yes votes for final adoption, regardless of how many members are present or how many abstain or vote no. If fewer than eight yes votes are recorded, the measure does not pass. The other statements don't fit because they describe simpler thresholds (a simple majority of those present), unanimous consent, or no vote required, which are not consistent with the two-thirds of the full membership standard that must be met with recorded affirmative votes.

2. **Except for expenditures from the Reserve for Preliminary Expenses, no expenditure for a capital project may be made from the Capital Fund without the adoption of an ordinance describing the project and specifying the source of funding.**

   A. True

   B. False

   C. It depends on project size

   D. Only with a state grant

In capital budgeting, a project isn't officially funded until a capital ordinance is adopted that both describes the project and names the funding source. This ordinance provides the legal authorization and earmarks how the funds will be raised (debt, grants, current funds, etc.), ensuring proper oversight and accountability for major investments. The only exception is expenditures from the Reserve for Preliminary Expenses, which are allowed to cover early costs like planning, design, and surveys before the formal capital ordinance is in place. Once those preliminary costs are complete and the project moves forward, a capital ordinance describing the project and specifying the funding source must be adopted. So the statement is correct: except for the Reserve for Preliminary Expenses, no capital project expenditure from the Capital Fund may occur without that ordinance and funding description.

3. IRS policy allows tax-exempt interest for municipal bonds intended for public purposes and not to permit exemption when bonds are issued primarily to reinvest to exploit the spread.

A. True

B. Not stated

C. Not applicable

D. False

Tax-exempt status for municipal bonds hinges on serving a legitimate public purpose and avoiding private use or arbitrage profit. When bonds fund a true public project, the interest can be exempt. But if the primary motive is to reinvest bond proceeds to exploit the yield spread and earn arbitrage, that undermines the public-use requirement and triggers rules that deny the exemption (often accompanied by rebate requirements). So the statement reflects the IRS stance: tax-exempt interest is allowed for public-purpose bonds, and exemption should not be granted when the primary aim is arbitrage exploitation.

4. Which of the following is not a GASB 54 fund balance classification?

A. Nonspendable

B. Restricted

C. Assigned

D. Available

The concept being tested is how fund balances are classified under GASB 54. GASB 54 requires five classifications: nonspendable, restricted, committed, assigned, and unassigned. "Available" is not one of these formal categories. It's a budgeting or liquidity descriptor you might hear in planning, but it isn't a recognized fund balance classification on governmental fund balance sheet reporting. So the option described as available does not fit GASB 54's reporting framework. To connect the idea with practice: nonspendable covers items that cannot be spent (like inventories or prepaids); restricted means funds are limited by external constraints; committed requires formal action by the government to set aside those resources; assigned is amounts intended for a specific purpose but not requiring formal action to reclassify; and unassigned is the residual balance in the general fund. The term available isn't used as a formal category, even though you might think of the portion you could spend next as "available."

5. If an amendment substantially alters matters required by the Local Bond Law, when can the ordinance be finally adopted?

A. It can be finally adopted immediately after the amendment.

B. It cannot be finally adopted until at least two weeks after such amendment, with publication at least two days prior to the date for further consideration.

C. It cannot be finally adopted until at least one week after such amendment.

D. It cannot be finally adopted until at least one month after such amendment.

When an amendment to an ordinance under the Local Bond Law substantially changes what the law requires, there's a mandatory waiting period before final adoption. This pause gives the council and the public time to review and consider the changes. The required minimum is seven days (one week) after the amendment is made. So the ordinance cannot be finally adopted until at least one week after such an amendment. The other timing options would either skip this waiting period or add different publication deadlines not mandated for this situation.

6. Which best describes a Special Revenue Fund?

A. Special Revenue Fund accounts for resources restricted for debt service only.

B. Special Revenue Fund accounts for resources restricted for trust and pension funds.

C. Special Revenue Fund accounts for resources restricted for a specific purpose other than capital projects or debt service; funded by grants, fines, or dedicated taxes.

D. Special Revenue Fund accounts for resources restricted for capital projects only.

Special Revenue Funds are used to account for resources that are restricted to a specific purpose other than capital projects or debt service. These funds are typically funded by external sources such as grants, fines, or dedicated taxes, and the money must be spent only on that designated purpose. This makes the described scenario a classic example of a Special Revenue Fund. The other fund types serve different purposes: debt service resources are tracked in a Debt Service Fund; resources for trust and pension programs are held in Fiduciary (Pension/Trust) Funds; and resources restricted to capital projects go into Capital Projects 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. How are compensated absences treated in government-wide statements versus governmental funds?

A. In government-wide statements, compensated absences are accrued as a liability and expense; in governmental funds, they are recognized as expenditures when paid or matured.

B. In government-wide statements, compensated absences are recognized as revenue; in governmental funds, they are liabilities.

C. Compensated absences are not recognized in either set of statements.

D. Compensated absences are recorded only as a liability in governmental funds.

Compensated absences are treated according to the accounting basis of the financial statements. In government-wide statements, these obligations are handled on an accrual basis: as employees earn vacation or other paid time off, the government records a liability for the earned, unused absences and also recognizes a corresponding expense in that period. This shows the full economic burden of the obligation. In governmental funds, which use a modified accrual focus on current financial resources, the liability isn't carried on the balance sheet. Expenditures are recognized when resources are disbursed to satisfy the obligation—essentially when the paid time off is used or when the obligation matures and payment is due.

9. In an emergency, a bond ordinance may be adopted if the net debt to average equalized valuation exceeds the debt limit after obtaining approval of which board?

A. Governor's Office

B. Municipal Board

C. Local Finance Board

D. State Tax Board

When a municipality would exceed its statutory debt limit, it can still proceed with an emergency bond ordinance, but only after the Local Finance Board approves. This state board reviews requests to incur debt beyond the normal limit in urgent situations to ensure the borrowing is truly necessary to protect public health, safety, or welfare and to guard the municipality's financial stability. The Governor's Office, a generic Municipal Board, or the State Tax Board do not authorize these emergency debt exceptions, so the Local Finance Board is the designated authority.

10. What does nonspendable fund balance include?

A. Amounts that can be spent freely.

B. Amounts that cannot be spent because they are in nonspendable form (inventories, prepaids) or because the principal of an endowment must be preserved.

C. Revenue that is not yet collected.

D. Funds that are locked by legislation.

Nonspendable fund balance is resources that cannot be spent currently because of their form or because the principal of certain funds must be preserved. This includes items like inventories and prepaid items, which are not in a spendable cash form, and the corpus of an endowment fund that must be kept intact rather than spent. The idea is that these amounts are technically not available for appropriation in the near term, even though they exist as assets. Other scenarios don't fit nonspendable: amounts that can be spent freely are considered spendable; revenue that hasn't been collected yet isn't fund balance but either a receivable or deferred inflow of resources; funds restricted by legislation are constrained but still represent spendable resources for their intended purpose, not nonspendable items.

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:

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