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.

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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!

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Questions

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1. What is the difference between restricted and assigned fund balances regarding who can modify the constraint?

A. Assigned balances are constrained by the government's own authority and can be reallocated by the governing body.

B. Restricted balances can be reallocated by the governing body.

C. Unrestricted balances are constrained by external parties.

D. Restricted balances are constrained by external parties or laws; assigned balances are constrained by the government's own authority and can be reallocated by the governing body.

2. A bond ordinance must be published with notice of its introduction and the date, time and place of a hearing and further consideration for final passage.

A. False

B. True only if there is a public hearing

C. True but notice is optional

D. True

3. 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.

4. When are governmental fund revenues recognized under modified accrual?

A. When measurable and available

B. When earned

C. When collected

D. When the related receivable is recognized

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5. How are donor restrictions on earnings treated in a Permanent Fund?

A. Earnings are spent immediately.

B. Earnings are recorded as revenue and added to the general fund.

C. Principal may be spent to fund ongoing operations when restricted earnings are used.

D. Earnings are typically added to the fund balance for restricted purposes; the principal remains nonspendable and intact.

6. The minimum useful life for a capital project under Local Bond Law is 5 years.

A. True

B. False

C. 3 years

D. 7 years

7. Net Debt in the Annual Debt Statement is expressed as a percentage of which measure?

A. Average equalized valuations for the last three preceding fiscal years.

B. Current year's equalized valuations.

C. Total assessed value.

D. Gross Debt.

8. Within 10 days of closing on a refunding bond sale, which items must be filed with the Local Finance Board?

A. A comparison of the initial and refunding debt service, a summary of the refunding, an itemized accounting of all costs of issuance, a CFO certification, and a two-thirds vote of the full governing body.

B. Only a CFO certification is required.

C. Only a summary of the refunding is required.

D. A copy of the bond ordinance alone is required.

9. When Bond Anticipation Notes are issued to finance a capital project a journal entry will be required to convert the Deferred Charge to Future Taxation-Unfunded to Deferred Charge to Future Taxation-Funded.

A. Not stated

B. Not applicable

C. False

D. True

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10. Before final passage, which action is permitted?

A. The ordinance cannot be amended after introduction.

B. Before final passage, the governing body may amend the ordinance and thereupon finally adopt or reject it, with or without amendments.

C. Amendments require a public referendum.

D. The final adoption must occur without any amendments.

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Answers

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

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Explanations

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1. What is the difference between restricted and assigned fund balances regarding who can modify the constraint?

A. Assigned balances are constrained by the government's own authority and can be reallocated by the governing body.

B. Restricted balances can be reallocated by the governing body.

C. Unrestricted balances are constrained by external parties.

D. Restricted balances are constrained by external parties or laws; assigned balances are constrained by the government's own authority and can be reallocated by the governing body.

In this area, fund balance classifications show who controls the spending constraints. Restricted fund balances are constrained by external parties or laws—think grant terms or legal requirements—so the government cannot freely change those constraints on its own. Assigned fund balances are constrained by the government's own authority; the governing body (or a designated official) can designate or reallocate those resources as priorities shift, within policy. So, the best answer captures both ideas: restricted balances are externally constrained, while assigned balances are internally constrained and can be reallocated by the governing body. For example, grant funds must be used according to grant terms (restricted), whereas amounts the government assigns for a future project can be shifted if priorities change (assigned).

2. A bond ordinance must be published with notice of its introduction and the date, time and place of a hearing and further consideration for final passage.

A. False

B. True only if there is a public hearing

C. True but notice is optional

D. True

Public notice for bond ordinances is required to ensure transparency and due process in municipal debt decisions. Under the Local Bond Law, a bond ordinance must be published with notice of its introduction and with the date, time, and place of the hearing and further consideration for final passage. This notice informs residents about the proposal and the steps toward adoption, including the hearing and the final vote. The rule applies in all cases; it is not dependent on whether a public hearing occurs or on any optionality. So the statement is true because the publication and notice are mandatory components of the process, not conditional.

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3. 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.

4. When are governmental fund revenues recognized under modified accrual?

A. When measurable and available

B. When earned

C. When collected

D. When the related receivable is recognized

Under modified accrual, governmental fund revenues are recognized when they are measurable and available to finance current-period expenditures. Measurable means the amount can be reasonably determined, and available means the resources are collectible in time to be used for the current period (typically within the near term, such as 60 days after year-end). This approach focuses on resources that can actually be spent in the current year, not just revenue that has been earned or cash that has already been received. If revenue is measurable but not available, it is not recorded as revenue yet; it may be recorded as a deferred inflow of resources until it becomes available.

5. How are donor restrictions on earnings treated in a Permanent Fund?

A. Earnings are spent immediately.

B. Earnings are recorded as revenue and added to the general fund.

C. Principal may be spent to fund ongoing operations when restricted earnings are used.

D. Earnings are typically added to the fund balance for restricted purposes; the principal remains nonspendable and intact.

In a Permanent Fund, the aim is to keep the principal intact forever while using only the earnings for donor-specified purposes. When donors restrict earnings, those restrictions apply to the income generated, not to the principal itself. The principal remains nonspendable and intact, kept invested and never spent. The earnings, however, are added to the fund balance as restricted resources and are used only for the purposes dictated by the donor. This keeps the corpus preserved while allowing the fund to support the donor's intent through the income it earns.

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6. The minimum useful life for a capital project under Local Bond Law is 5 years.

A. True

B. False

C. 3 years

D. 7 years

Under Local Bond Law, the purpose of bonds is to finance long-lived, capital assets. A capital project must have a minimum useful life of five years, meaning the asset or improvement is expected to provide service for at least five years after completion. This five-year threshold ensures debt is issued only for enduring investments rather than short-term expenditures. If a proposed project is expected to last fewer than five years, it typically isn't financed as a capital project with bonds and would be funded through other means such as current funds or shorter-term financing.

7. Net Debt in the Annual Debt Statement is expressed as a percentage of which measure?

A. Average equalized valuations for the last three preceding fiscal years.

B. Current year's equalized valuations.

C. Total assessed value.

D. Gross Debt.

In the Annual Debt Statement, net debt is shown as a percentage of average equalized valuations for the last three preceding fiscal years. The equalized valuation is a state-adjusted measure of property value used for tax purposes, and averaging over three years smooths out year-to-year swings in values. This ratio shows how large the municipality's net debt is relative to its tax base, using a stable, comparable denominator. Using current year's equalized valuations would make the ratio volatile and less comparable across years. Total assessed value isn't the standardized equalized measure the state uses, and gross debt would not reflect the capacity of the property base to support debt, since the metric is about debt burden relative to value, not just debt size.

8. Within 10 days of closing on a refunding bond sale, which items must be filed with the Local Finance Board?

A. A comparison of the initial and refunding debt service, a summary of the refunding, an itemized accounting of all costs of issuance, a CFO certification, and a two-thirds vote of the full governing body.

B. Only a CFO certification is required.

C. Only a summary of the refunding is required.

D. A copy of the bond ordinance alone is required.

After a refunding closing, the Local Finance Board requires a complete package within 10 days that shows the financial impact, the structure of the refunding, and proper authorization. The items include a comparison of the initial debt service to the refunding debt service to demonstrate any present-value savings and to outline the cash-flow implications; a summary of the refunding that describes the new issue, call provisions, maturities, and overall terms; an itemized accounting of all costs of issuance so every fee and expense is clear; a CFO certification confirming the accuracy of the information and compliance with applicable laws; and documentation showing that the governing body adopted the refunding by a two-thirds vote. These pieces together provide oversight, transparency, and assurance that the refunding is financially justified and properly authorized. Providing only one element, such as just the CFO certification or just the summary, would not meet the board's requirements.

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9. When Bond Anticipation Notes are issued to finance a capital project a journal entry will be required to convert the Deferred Charge to Future Taxation-Unfunded to Deferred Charge to Future Taxation-Funded.

A. Not stated

B. Not applicable

C. False

D. True

The key idea is how Bond Anticipation Notes affect the accounting for deferred charges tied to future tax funding. Bond Anticipation Notes are short term financing used to bridge a capital project until long term financing or tax revenues are in place. Issuing BANs does not by itself change a deferred charge from unfunded to funded. Instead, the note issuance records a short term obligation and the cash proceeds; the classification of the deferred charge (unfunded vs funded) would only be updated when actual funding decisions are made, such as when long term debt is issued or a tax levy is approved and dedicated. So converting Deferred Charge to Future Taxation-Unfunded to Deferred Charge to Future Taxation-Funded isn't triggered simply by issuing Bond Anticipation Notes.

10. Before final passage, which action is permitted?

A. The ordinance cannot be amended after introduction.

B. Before final passage, the governing body may amend the ordinance and thereupon finally adopt or reject it, with or without amendments.

C. Amendments require a public referendum.

D. The final adoption must occur without any amendments.

Before final passage, the governing body can refine the ordinance by amending it and then proceed to adopt or reject the ordinance in its amended form, with or without further changes. This reflects the normal legislative practice: drafts are often amended during the final consideration stage, and the final adoption may occur in the amended form or after additional amendments. Public referenda are not typically required for standard amendments to ordinances, and final adoption is not restricted to the original text—amendments can occur prior to final adoption.

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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.

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

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