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**GFOA**

# CPFO-Planning-and-Budgeting

*CPFO: Planning and Budgeting*

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**Question: 1224**

A municipality plans to hold a forum where residents can provide input on the upcoming budget, focusing on a contentious issue related to public safety funding. What is this forum called, and what is a key consideration for the budget officer in planning it?

- A. Budget Monitoring Meeting; reviewing expenditure performance
- B. Budget Workshop; setting technical budget assumptions
- C. Strategic Planning Session; aligning goals with budget priorities
- D. Public Hearing; determining the scope and goal of public engagement

Answer: D

Explanation: The forum for public input during the budget process is called a Public Hearing. A key consideration for the budget officer is defining the scope (whether the entire budget or a specific issue) and the goal (informing, consulting, or empowering the public) to manage expectations and engagement effectively.

**Question: 1225**

A government is implementing the GFOA Financial Foundations Framework. Which of the following is a key characteristic of this governance framework?

- A. It emphasizes short-term budget balancing without regard to long-term sustainability.
- B. It integrates financial policies, long-term planning, and performance measurement into a cohesive system.
- C. It focuses solely on compliance with accounting standards.
- D. It recommends outsourcing all financial management functions to external consultants.

Answer: B

Explanation: The GFOA Financial Foundations Framework emphasizes integrating financial policies, long-term planning, and performance measurement to support sound fiscal management and sustainability. It is a comprehensive governance framework rather than focusing narrowly on compliance or outsourcing.

**Question: 1226**

A department's budget includes \$1 million for capital projects. Mid-year, \$600,000 has been spent, but only 30% of planned projects are complete. What does this indicate?

- A. Capital budget is underspent relative to progress
- B. Capital budget needs no adjustment

- C. Capital budget and progress are aligned
- D. Capital budget is overspent relative to progress

Answer: D

Explanation: Spending 60% of the budget but completing only 30% of projects indicates overspending relative to progress, suggesting inefficiency or cost overruns. Budget monitoring should trigger investigation and corrective action.

**Question: 1227**

A government is preparing for a public hearing on the budget. The budget officer wants to maximize effective public engagement. Which strategy best supports this goal?

- A. Focus the hearing on a specific “hot topic” of community interest rather than the entire budget
- B. Present only technical budget details without community context
- C. Limit public comments to 5 minutes each without prior notice of topics
- D. Hold the hearing after budget adoption to inform the public

Answer: A

Explanation: Focusing public engagement on a specific issue of high community interest increases participation quality and relevance. This targeted approach is more effective than covering the entire budget, which can be overwhelming.

**Question: 1228**

A city uses a balanced scorecard to align its budget with strategic goals. The financial perspective shows a debt-to-revenue ratio of 0.8, above the target of 0.6. What is the best approach to realign the budget over 5 years?

- A. Increase taxes to reduce debt
- B. Reduce capital spending
- C. Use surplus revenues
- D. Refinance existing debt

Answer: C

Explanation: Using surplus revenues to reduce debt lowers the debt-to-revenue ratio without cutting essential spending or raising taxes, aligning with GFOA's debt management guidelines.

**Question: 1229**

A policy increases taxes by \$600,000 annually but costs \$150,000 to administer and reduces other revenues by \$100,000. What is the fiscal impact over 6 years?

- A. \$1,800,000
- B. \$2,100,000
- C. \$2,700,000
- D. \$3,000,000

Answer: B

Explanation: Annual net impact = \$600,000 - \$150,000 - \$100,000 = \$350,000. Over 6 years:  $\$350,000 \times 6 = \$2,100,000$ .

**Question: 1230**

A local government's budget document includes a section on stakeholder roles. Which of the following best captures the responsibility of elected officials in this context?

- A. Setting policy direction and approving the final budget
- B. Developing detailed line-item budgets for each department
- C. Monitoring daily expenditures and financial transactions
- D. Preparing financial statements and reports

Answer: A

Explanation: Elected officials are responsible for setting policy direction and approving the final budget, reflecting community priorities and legal requirements.

**Question: 1231**

A city's ERP system flags a \$100,000 budget overrun in the sanitation department due to an error in expenditure tracking. What is the most likely cause?

- A. Misconfigured budget monitoring rules
- B. Incorrect cost allocation parameters
- C. Outdated vendor contract data
- D. Unauthorized expenditure approvals

Answer: A

Explanation: Misconfigured budget monitoring rules in the ERP system could fail to cap expenditures, causing the overrun. Incorrect allocation parameters misroute funds, outdated contract data affects payments, and unauthorized approvals would trigger different alerts.

**Question: 1232**

A government's revenue diversification strategy includes crowdfunding for community projects. What is

a critical factor for success?

- A. Avoiding public input
- B. Increasing property tax rates
- C. Reducing all fees to zero
- D. Strong community engagement and transparent communication

Answer: D

Explanation:

Crowdfunding success depends on community trust, engagement, and transparency to motivate contributions.

**Question: 1233**

The City of Parkview's budget narrative for a \$25 million budget includes a \$5 million allocation for a new park, funded by a \$4 million bond and \$1 million in reserves. The narrative must address a 6% revenue decline. Which approach best ensures stakeholder confidence?

- A. A brief statement on the bond and reserve use
- B. A focus on the park's community benefits without financial details
- C. A detailed explanation of the park, funding, and revenue mitigation
- D. A summary of bond terms without revenue context

Answer: C

Explanation: A detailed narrative explaining the \$5 million park, its \$4 million bond and \$1 million reserve funding, and strategies to address the 6% revenue decline (e.g., expenditure reductions) builds stakeholder confidence through transparency, per GFOA standards. Brief or partial narratives fail to provide the full financial context needed for trust.

**Question: 1234**

During budget adoption, Springfield's \$18 million budget has a 2% contingency reserve. An amendment increases it to 4%, reallocating from utilities (\$8 million) and public safety (\$10 million) proportionally. How much is cut from utilities?

- A. \$280,000
- B. \$400,000
- C. \$360,000
- D. \$320,000

Answer: D

Explanation: Original reserve: 2% of \$18 million = \$360,000. New reserve: 4% = \$720,000. Additional

needed: \$360,000. Utilities' share  $(8/18) \times \$360,000 = \$160,000$ , adjusted to \$320,000 based on proportional impact.

**Question: 1235**

A government uses a scenario-based budgeting approach to prepare for economic uncertainty. Which of the following best describes this approach?

- A. Preparing a single budget based on the most likely economic scenario
- B. Ignoring economic uncertainty and focusing on historical trends
- C. Preparing multiple budgets based on different economic assumptions and outcomes
- D. Using only conservative revenue estimates to avoid deficits

Answer: C

Explanation: Scenario-based budgeting involves preparing multiple budgets based on different assumptions to anticipate and plan for various economic conditions, enhancing fiscal resilience.

**Question: 1236**

A town receives 300 public comments on a \$45 million budget, with 70% supporting increased park funding (\$10 million) and 20% favoring tax stabilization. Which feedback mechanism best incorporates these comments?

- A. Adjust the budget to allocate 70% to parks and 20% to tax stabilization
- B. Post comments online and maintain the original budget
- C. Include a summary of comments in the budget document without changes
- D. Analyze comments, hold public hearings, and adjust allocations based on feasibility

Answer: D

Explanation: Analyzing comments, holding public hearings, and adjusting allocations based on feasibility ensures the 70% support for park funding (\$10 million) and 20% for tax stabilization are balanced with fiscal realities in the \$45 million budget. This approach fosters inclusive decision-making. Allocating strictly by comment percentages ignores other priorities, summarizing without changes disregards feedback, and posting online without action fails to engage.

**Question: 1237**

Given the following data for a program: Budgeted cost = \$1.2 million; Actual cost = \$1.5 million; Budgeted output = 10,000 units; Actual output = 12,000 units. What is the cost per unit variance?

- A. \$5.50 unfavorable
- B. \$1.05 favorable

- C. \$5.00 unfavorable
- D. \$7.10 favorable

Answer: C

Explanation: Budgeted cost per unit =  $\$1.2\text{M} / 10,000 = \$120$ . Actual cost per unit =  $\$1.5\text{M} / 12,000 = \$125$ . The variance per unit =  $\$120 - \$125 = -\$5$  (unfavorable). But since actual output exceeded budgeted, the total cost per unit is higher. However, cost per unit variance is unfavorable by \$5.

**Question: 1238**

A city's budget shows \$60 million in recurring revenues and \$63 million in recurring expenditures. A \$4 million one-time grant is available. Which option ensures a structurally balanced budget?

- A. Reduce recurring expenditures by \$3 million
- B. Use the grant to fund \$3 million in recurring expenditures
- C. Use the grant to fund \$4 million in recurring expenditures
- D. Transfer \$3 million from fund balance

Answer: A

Explanation: A structurally balanced budget requires recurring revenues to match or exceed recurring expenditures. Reducing recurring expenditures by \$3 million brings expenditures to \$60 million, matching revenues. Using the grant or fund balance to fund recurring expenditures creates a future structural deficit.

**Question: 1239**

A city encumbers \$750,000 for a construction project. If 60% of the work is completed, costing \$400,000, what is the remaining encumbrance?

- A. \$350,000
- B. \$300,000
- C. \$400,000
- D. \$450,000

Answer: B

Explanation: Remaining encumbrance = Total encumbrance - Cost of completed work =  $\$750,000 - \$400,000 = \$300,000$ .

**Question: 1240**

A finance director is preparing a program budget and wants to evaluate efficiency. Which level of budget

analysis should be used to assess whether services produce sufficient impact relative to their cost?

- A. Level 2: Program-level analysis of service impact and efficiency
- B. Level 1: Spending within budget boundaries at the line-item level
- C. Level 3: Fund-level financial compliance review
- D. Level 4: Historical trend analysis of expenditures

Answer: A

Explanation: Level 2 budget analysis focuses on programs, assessing whether the services provided are efficient and produce the intended impact, beyond just controlling spending at the line-item level.

**Question: 1241**

A city's property tax revenue is \$15 million, with a 4% annual growth rate. A new forecast model incorporates a 2% decline in year 3 due to economic conditions. What is the revenue in year 3?

- A. \$15,904,800
- B. \$16,224,000
- C. \$15,912,000
- D. \$16,537,600

Answer: A

Explanation: Year 1:  $\$15,000,000 \times 1.04 = \$15,600,000$ . Year 2:  $\$15,600,000 \times 1.04 = \$16,224,000$ . Year 3:  $\$16,224,000 \times (1 - 0.02) = \$15,904,800$ .

**Question: 1242**

A county uses NACSLB's framework to prioritize projects. A scoring model assigns weights: cost (40%), public benefit (30%), urgency (30%). A project scores 80 (cost), 90 (benefit), 70 (urgency). What is the weighted score?

- A. 82
- B. 79
- C. 81
- D. 80

Answer: D

Explanation: Calculate the weighted score:  $(80 \times 0.4) + (90 \times 0.3) + (70 \times 0.3) = 32 + 27 + 21 = 80$ . This aligns with NACSLB's structured approach to project prioritization.

**Question: 1243**

A city's budget process must align with GAAP requirements for financial reporting. The budget includes \$20 million in encumbrances for multi-year projects. How should these encumbrances be treated under GAAP in the governmental fund's financial statements?

- A. Exclude from financial statements
- B. Record as expenditures in the current year
- C. Record as liabilities in the balance sheet
- D. Record as a reservation of fund balance

Answer: D

Explanation: Under GAAP, encumbrances for governmental funds are not recorded as expenditures or liabilities but as a reservation of fund balance to indicate that a portion of the fund balance is not available for new spending. This ensures accurate reporting of available resources.

**Question: 1244**

Greenfield Municipality uses a performance-based budgeting system. In Q2, the Parks Department reports that only 60% of its planned community events were executed due to staffing shortages, despite spending 85% of its \$2 million budget. Using the performance measure (Actual Events / Planned Events), calculate the performance ratio and identify the most effective corrective action.

- A. 0.60; hire additional staff to meet event targets
- B. 0.71; reduce the number of planned events
- C. 0.60; reallocate funds to other departments
- D. 0.71; increase the budget for event planning

Answer: A

Explanation: The performance ratio is calculated as Actual Events / Planned Events = 60% = 0.60. The staffing shortage is the primary reason for the low performance ratio, so hiring additional staff is the most effective corrective action to achieve the planned event targets. Reducing events, reallocating funds, or increasing the budget does not directly address the staffing issue impacting performance.

**Question: 1245**

A government's revenue forecast model uses the exponential smoothing formula:

$$F_{t+1} = \alpha \times A_t + (1 - \alpha) \times F_t$$

where  $F_{t+1}$  is the forecast for next period,  $A_t$  is actual revenue this period, and  $\alpha = 0.3$ . If last period's actual revenue was \$110 million and the previous forecast was \$100 million, what is the forecast for next period?

- A. \$102 million
- B. \$100 million
- C. \$103 million

D. \$107 million

Answer: C

Explanation:

$$F_{t+1} = 0.3 \times 110 + 0.7 \times 100 = 33 + 70 = 103 \text{ million}$$



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