

ACCOUNTING

GRADE 12

Olympiad Paper

Round Two

Marks: 30

Time: 1 hour

Date: 3 August 2022



Instructions

1. Complete questions on the ANSWER SHEET provided.
2. Complete all information on the ANSWER SHEET.
3. The ANSWER SHEET consist of 4 sections. Please select the correct section/subject.
4. There are 4 possible answers per question (A B C D)
Only one answer is correct.
Colour a circle completely.
5. Good luck!

COMPANIES

1. A shareholder invested R2 000 000 in 1 000 000 ordinary shares in ABC Ltd. on 15 April 2015. On 31 March 2022, she sold the 1 000 000 shares at R1.25 each on the JSE to another investor. The share capital account of ABC Ltd. will be:
 - A increased with R750 000.
 - B decreased with R750 000.
 - C diluted with 37.5%.
 - D unchanged, as there is no effect.

2. The abbreviation LTD. in a company's name refers to the limited liability of a company. This means that:
 - (i) the company is not fully liable for the debts of the company.
 - (ii) the company's liability is limited to existing shareholders on the day of insolvency.
 - (iii) shareholders' liability is limited to the market value of shares they have.
 - (iv) shareholders' liability is limited to the value invested in shares in the company.
 - (v) the directors of a company are fully liable for the debts of the company.

Choose one of the following:

- A (i) and (v)
 - B Only (ii)
 - C Only (iii)
 - D Only (iv)
3. The general objective of the Trading Account of a company is to indicate the:
 - A difference between cash receipts and cash payments for the financial period concerned.
 - B net profit or loss for the financial period concerned.
 - C profit or loss on the turnover of goods sold in the period concerned.
 - D difference between income earned and expenditure incurred in the period.

 4. A company has trade debtors of R100 000 with an existing provision of R12 000 for bad debts. The provision for bad debts has to be adjusted to 10% of trade debtors. What will the effect on the financial statements be?

	Income Statement	Balance Sheet
A	The net profit will increase by R2 000.	Net trade debtors will increase by R2 000.
B	The net profit will decrease by R2 000.	Net trade debtors will decrease by R2 000.
C	The gross profit will increase by R2 000.	Net trade debtors will decrease by R10 000.
D	The gross profit will decrease by R2 000.	Net trade debtors will increase by R10 000.

5. ABC Ltd. made income tax payments of R57 400 for the financial year under consideration. On the first day of the current financial year, ABC Ltd. owed SARS R2 700. On the last day of the current financial year, the amount owed to SARS was R5 800. Calculate the NET PROFIT BEFORE TAX if the current tax rate is 30%.
 - A R191 333
 - B R219 667

- C R65 900
D R201 667

6. DEF Ltd. was registered on 1 February 2019 with an authorised share capital of 5 000 000 shares. On 30 June 2019, shares to the value of R6 000 000 were issued at 200 cents per share. On 1 February 2020, an additional 600 000 shares were issued at 290 cents per share. On 28 February 2020, DEF Ltd. repurchased 200 000 shares from a shareholder at R2.75 per share.

Which entry is correct for the **repurchase of the 200 000 shares on 28 February 2020?**

	ORDINARY SHARE CAPITAL		RETAINED INCOME	
A	550 000			
B	430 000		120 000	
C	120 000		430 000	
D			550 000	

7. Company GH Ltd. is registered with 500 000 shares. On 30 June 2021, the last day of the financial year, the share capital note indicates that 400 000 shares are in issue at R5.00 each. The trading price of a share in GH Ltd. on 30 June 2021 was R6.75.

What is GH Ltd. issued share capital?

- A It is the total number of shares that have been allotted to shareholders, thus 400 000 shares.
B It is the total value of shares that have been allotted to shareholders, thus R2 000 000.
C It is the total market value of shares that have been allotted to shareholders, thus R2 700 000.
D It is the total value of shares that may be allotted to shareholders at the current market price, thus R3 375 000.
8. Which one of the following statements is NOT true with regards to the distribution of profits?
- A The dividend recommended by the directors has to be approved by shareholders.
B It is possible for a company to declare and pay a dividend if a loss for the financial year has been recorded.
C A dividend per share can be declared from previous years' retained income.
D If a company does not declare a dividend in the current financial year due to a loss, the company will be declared insolvent.
9. The financial statements of Company ABC Ltd. show a reduction in the working capital. This is the result of:
- (i) an increase in the bank overdraft used to pay for new office equipment.
(ii) a decrease in cash from paying property rates in advance.
(iii) a receipt of cash from trade debtors.

Choose one of the following:

- A Only (i) is correct.
B Only (iii) is correct.
C Only (i) and (ii) are correct.
D Only (ii) and (iii) are correct.

INTERNAL CONTROL AND ANALYSIS OF FINANCIAL STATEMENTS

10. YDM Ltd.'s net sales for the year amounted to R8 000 000. The gross profit percentage on sales was correctly calculated as 34.25%. Calculate the gross profit on the cost of sales for the year.
- A 47.91%
B 31.50%
C 52.09%
D 65.75%
11. The net profit after 30% tax was correctly calculated as R770 000. The directors declared a dividend of 55 cents per share which was 20% of net income before tax. Calculate the number of shares in issue on the date that dividends were declared.
- A 420 000
B 121 000
C 220 000
D 400 000
12. Which one of the following is not seen as an external user of information obtained by analysing the financial statements of a company?
- A Potential suppliers of the company.
B Creditors of the company.
C Managing directors of the company.
D Financial institutions that provide loans.
13. A company's sales for the year amounted to R390 000 and this represented a mark-up of 30% on cost. If the average stock holding was R120 000, the rate of turnover would be:
- A 0.98 times.
B 3.25 times.
C 2.50 times.
D 2.275 times.
14. Company RS Ltd. reports a dilution in the earnings per share for the current financial year. Which of the following statements are true with regards to the dilution?
- A The EPS for the current year is higher than the EPS for the previous financial year.
B The EPS for the current year is lower than the EPS for the previous financial year.
C The number of shares in issue for the current year is higher than the number of shares in issue for the previous financial year.
D The number of shares in issue for the current year is lower than the number of shares in issue for the previous financial year.
15. JK Ltd repurchased 10 000 of its own shares from various shareholders at R25 per share. The average share price on the date of repurchase was R20. The current market price per share is R28. What will the effect of this be on the shareholder's equity as indicated on the published financial statement of JK Ltd.?
- A It will increase with R250 000.
B It will decrease with R200 000.

- C It will decrease with R250 000.
- D It will decrease with R280 000.

16. The following is an extract from the financial statements on 28 February 2022 and is correct:

Sales	R20 000
Cost of sales	R17 000
Operating expenses	R1 000
Interest expense	R300
Income Tax	R1 000
Dividends	R200
Current assets	R10 000
Non-current assets	R20 000
Current liabilities	R8 850
Non-current liabilities	R1 000

Calculate the return on capital employed (ROCE), assuming that there were no changes in the capital employed at the beginning and end of the financial year.

- A 9.46%
- B 0%
- C 9.93%
- D 8.04%

NON-CURRENT ASSETS

17. When calculating depreciation using the diminishing balance method:

- A a constant percentage is multiplied by a declining book value.
- B a declining percentage is multiplied by a constant book value.
- C a constant percentage is multiplied by the previous year's depreciation expense.
- D a variable percentage is multiplied by the previous year's depreciation expense.

18. Equipment with a cost of R450 000 has an estimated lifespan of 4 years. It has to be depreciated by the straight-line method. At the end of the fourth year, a decision is made to use the equipment for another year. What is the amount of depreciation that must be recorded for the FOURTH year?

- A R90 000
- B R112 500
- C R89 999
- D R112 499

19. The gain or loss on disposal of an asset is the difference between the selling price of an asset and the:

- A historic cost less the accumulated depreciation up to the date of disposal.
- B historic cost less the accumulated depreciation up to the beginning of the year of disposal.
- C the depreciation amount of the asset and the accumulated depreciation up to the date of disposal.
- D the replacement value of the asset less the book value of the asset.

INVENTORY SYSTEMS

20. During its first year of operation, a company purchased the following stock:

Date of purchase	Quantity purchased (tons)	Purchase price per ton
31 March	1 000	R50
31 July	2 000	R100
31 October	500	R200

On 31 December, the last day of the financial year, 1 250 tons were on hand. Calculate the value of the stock on hand using FIFO.

- A R37 500
- B R120 000
- C R125 000
- D R175 000

21. The following information relates to LM Traders for the year ending 30 June 2021:

	Number of units	Total value
Opening stock on hand	800	10 000
1 st purchase	4 200	48 000
2 nd purchase	7 000	98 000
Closing stock on hand	500	?

LM Traders uses the periodic weighted-average method to value stock. Calculate the cost of sales for the year ending 30 June 2021.

- A R149 500
- B R6 500
- C R7 000
- D R161 000

COST ACCOUNTING

22. The fixed cost per unit increases when the:

- A variable cost per unit increases.
- B variable cost per unit decreases.
- C volume of production increases.
- D volume of production decreases.

23. Prime cost includes:

- A direct expenses plus indirect expenses.
- B direct materials, direct wages and indirect expenses.
- C direct materials, direct wages and direct expenses.
- D indirect materials, indirect wages and indirect expenses.

24. Depreciation calculated in the manufacturing plant and machinery forms part of:

- A factory overheads.
- B selling overheads.

- C distribution overheads.
- D administration overheads.

VAT

25. Credit sales invoiced to a customer at R276 000, inclusive of standard rate VAT, should be accounted for as:

	Account(s) debited	Account(s) credited	
A	Debtors Control R276 000	Sales	R240 000
		Output-VAT	R36 000
B	Debtors Control R276 000	Sales	R240 000
		Input-VAT	R36 000
C	Debtors Control R276 000	Sales	R276 000
D	Debtors Control R240 000	Sales	R240 000
		Output-VAT	R36 000

26. The list price of goods sold was R72,000 (excluding VAT). A trade discount of 10% and a 5% cash discount is on offer. The VAT to be included on the invoice would be:
- A R10 800
 - B R9 720
 - C R540
 - D R9 234

CASH BUDGETS

27. A cash budget for the six months ending 30 September 2022 shows an anticipated overdraft of approximately R9 500. Which of the following would reduce the expected overdraft?
- A Allowing customers two months' credit, instead of one month's credit.
 - B Cash purchases instead of one month's credit.
 - C Charging depreciation on fixed assets at 25% on the straight-line basis, rather than 20%.
 - D Assets being leased, rather than purchased for cash.
28. ABC Ltd. had an opening bank balance of R60 000 on 1 January 2022. An extract of a cash budget is provided below:

	January 2022	February 2022	March 2022
Net receipts/(payments)	(R72 000)	(R43 000)	R37 000

At the end of March 2022, ABC Ltd. will:

- A require no overdraft facility.
- B require an overdraft facility of R18 000.
- C have a favourable bank balance of R37 000.
- D require an overdraft facility of R78 000.

RECONCILIATIONS

29. An EFT of R10 925 was made on 30 June 2022 to pay a creditor on time. The accountant did not enter the transaction in the accounting records of the business. The creditor allows a discount of 5% on early payments. The correct entry on the Balance Sheet dated 30 June 2022 will be:
- A increase Bank with R10 925 and decrease Creditors with R10 925.
 - B decrease Bank with R10 925 and decrease Creditors with R10 925.
 - C increase Bank with R11 500 and decrease Creditors with R11 500.
 - D decrease Bank with R10 925 and decrease Creditors with R11 500.
30. A credit note received from a supplier for stock returned was omitted from the relevant journal. This will have an effect on:
- A the balance of the Trading Stock, as well as the balance of the Creditors Control accounts in the General Ledger.
 - B the balances of the Trading Stock account and the Debtors Control accounts in the General Journal.
 - C the balance of the Creditors Control accounts in the General Ledger, as well as the list of creditors as per the Creditors Ledger.
 - D the balance of the trading stock, the balance of the Creditors Control accounts in the General Ledger, as well as the list of creditors as per the Creditors Ledger.
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