

ACCOUNTING

GRADE 12

Olympiad Paper

Round Two

Marks: 30

Time: 1 hour

Date: 2 August 2023



Instructions

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

COMPANIES: GENERAL

1 The authorised share capital of Arum Ltd. is 200 000 ordinary shares. On 1 March 2014, Arum Ltd. issued 40 000 ordinary shares at R6.00 each. On 1 September 2021, they issued 20 000 shares at R8.00 each. The last share issue of 10 000 shares on 30 November 2022 brought the ordinary share capital account's balance to R500 000. At what price were the shares issued on 30 November 2022?

- A R6.00
- B R8.00
- C R10.00
- D R12.00

2 Bellflower Ltd. issued 100 000 shares of R10 each for cash. What will the correct entry be?

	Account debited	Account credited
A	Bank R100 000	Shares issued R100 000
B	Share Capital R1 000 000	Bank R1 000 000
C	Bank R1 000 000	Share Capital R1 000 000
D	Bank R1 000 000	Cash Receivable R1 000 000

3 Cactus Ltd. intends to buy back its own shares. As such _____

- A Cactus Ltd. can use its retained earnings to buy back shares.
- B Cactus Ltd. may only buy back a maximum of 10% of its shares.
- C Cactus Ltd. must offer to buy back all the shares held by its shareholders.
- D Cactus Ltd. must obtain approval from its shareholders in a general meeting.

4 The board of directors of Daffodil Ltd. has decided to repurchase some of its shares. Which of the following is NOT a valid reason for a company to buy back its own shares?

- A To increase the earnings per share for existing shareholders.
- B To reduce the number of issued shares and thereby increase the control of existing shareholders.
- C To prevent a hostile takeover by reducing the number of issued shares available to potential acquirers.
- D To reduce the amount of capital available to the company for investment in new projects.

- 5 Foxglove Ltd. has issued 300 000 shares at R10 per share. The company decides to buy back 20 000 shares at R12 per share. What is the effect of the buy-back on the company's share capital account?
- A It will decrease with R240 000.
B It will decrease with R220 000.
C It will decrease with R200 000.
D It will decrease with R40 000.
- 6 Gladiola Ltd. is a company that has issued shares to the public. What does "limited" mean in this context?
- A The company is limited to a specific number of shareholders, i.e. the number of shares it is authorised to sell.
B The company is limited to a specific geographic location and, as such, has limited access to capital markets.
C The company has a limited amount of capital and this is determined by the number of shares issued.
D The liability of the shareholders is limited to the amount that they have invested in shares in the company.
- 7 Iris Ltd. made the following transactions during the year:

Sold a building	R200 000
Paid dividends	R25 000
Purchased new equipment	R50 000
Cash sales	R125 000

- What is the effect of these transactions on the company's cash flow from operating activities?
- A +R200 000
B +R150 000
C +R125 000
D +R100 000
- 8 Which of the following items would be reported as an investing activity on a cash flow statement?
- A Payment of dividends to shareholders.
B Payment of interest on long-term debt.
C Purchase of equipment for use in the business.
D Payment of salaries and wages to employees.

COMPANIES: GAAP AND IFRS

- 9 Lily Ltd. purchases a building for R500 000 and spends an additional R50 000 on renovations. Lily Ltd. secures a mortgage loan from Flower Bank for the full amount at 10% per annum. What is the initial cost of the building that should be recorded in the company's financial statements according to IFRS?
- A R500 000
B R550 000
C R1 000 000
D R1 100 000
- 10 According to the physical stock take, Mimosa Ltd. has inventory on hand worth R100 000 at the end of the financial year. The company's accountant estimates that the inventory has a net realisable value of R90 000. Which one of the following adjustments must the accountant make to fulfil the requirements of IFRS in order to report inventory in the company's financial statements?

	Account debited	Account credited
A	Trading Stock R10 000	Trading stock deficit R10 000
B	Trading stock deficit R10 000	Trading Stock R10 000
C	Prepaid expenses R10 000	Trading Stock R10 000
D	Consumables on hand R10 000	Trading Stock R10 000

COMPANIES: ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS

- 11 Which of the following scenarios would have the greatest impact on a company's equity?
- A An increase in assets of R10 000 and an increase in liabilities of R5 000.
B A decrease in assets of R5 000 and a decrease in liabilities of R2 000.
C A decrease in assets of R7 000 and an increase in liabilities of R3 000.
D An increase in assets of R2 000 and a decrease in liabilities of R5 000.
- 12 Petunia Ltd. has an average debtors collection period of 1.8 months. If the company's opening balance for debtors was R18 000 and credit sales for the month were R180 000, what is the value of its debtors on the last day of the month?
- A R36 000
B R18 000
C R10 000
D R100 000

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- 13 What is the return on equity of a company that has a net income of R500 000, total assets of R5 million, and shareholders' equity of R2 million?
- A 10%
B 12.5%
C 25%
D 50%
- 14 Rose Ltd. has repurchased 10% of its shares in issue. Which of the following statements is true?
- A The company's earnings per share will increase by 10%.
B The company's dividend per share will increase by 10%.
C The company's book value per share will increase by 10%.
D The company's control will become more concentrated among the remaining shareholders.

COMPANIES: ANALYSIS AND INTERPRETATION OF PUBLISHED FINANCIAL STATEMENTS

- 15 Sunflower Ltd. reported a net profit of R10 million for the year and had 5 million shares in issue. Income tax is calculated at 30% of net profit. What is the earnings per share (EPS) for the year?
- A $\frac{10\,000\,000 \times \frac{70}{100}}{5\,000\,000} \times \frac{100}{1} = 140$ cent per share
- B $\frac{5\,000\,000}{10\,000\,000} \times \frac{100}{1} = 50$ cent per share
- C $\frac{10\,000\,000 \times \frac{30}{100}}{5\,000\,000} \times \frac{100}{1} = 60$ cent per share
- D $\frac{5\,000\,000 \times \frac{70}{100}}{10\,000\,000} \times \frac{100}{1} = 35$ cent per share
- 16 Tulip Ltd. has total assets of R1.5 million and total liabilities of R1 million. The company has 100 000 issued shares. What is the company's net asset value per share?
- A R0.50
B R5.00
C R10.00
D R15.00

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- 17 Violet Ltd. has 500 000 shares issued and has declared an EPS of R0.86 and a DPS of R0.42 for the year ending February 2023. Calculate the amount that retained income has increased with for the year ending February 2023.
- A R430 000
 - B R210 000
 - C R220 000
 - D R640 000

ETHICS AND INTERNAL CONTROL

- 18 Watsonia Ltd. is a manufacturing company that outsources some of its production to suppliers in developing countries. It has been revealed that some of its suppliers have been using child labour to produce goods. What would be the most ethical way for Watsonia Ltd. to respond?
- A Ignore the issue, as it is not directly related to the financial performance of Watsonia Ltd.
 - B Terminate the contracts with the suppliers using child labour, regardless of the impact on profits.
 - C Report the supplier to authorities, but continue to do business with them in the meantime to maintain profits.
 - D Work with the suppliers to develop systems for verifying the ages of workers and gradually phase out the use of child labor.
- 19 Yucca Ltd. has implemented a policy that requires employees to rotate job duties every six months. This is an example of what type of control?
- A Preventive control.
 - B Detective control.
 - C Corrective control.
 - D Monitoring control.

NON-CURRENT ASSETS

- 20 Aloe Ltd. purchased a machine for R50 000 with an estimated useful life of 10 years and no residual value. The company uses depreciation on cost. After 5 years, the company decides to sell the machine for R30 000. What is the profit or loss on disposal?
- A R5 000 profit.
 - B R10 000 profit.
 - C R5 000 loss.
 - D R10 000 loss

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- 21 Basil Ltd. purchased a machine for R20 000 with a useful life of 4 years and a salvage value of R0. If the company uses the diminishing balance method of depreciation, what will the book value of the asset be at the end of the second year?
- A R15 000
 - B R16 000
 - C R11 250
 - D R10 000

INVENTORY SYSTEMS

- 22 Which one of the following statements is true regarding the periodic inventory system?
- A The cost of goods sold is calculated after each sales transaction.
 - B It requires the use of the perpetual inventory system.
 - C Physical inventory counts are only required at year-end.
 - D All inventory transactions are recorded in real-time.
- 23 Which one of the following entries is made to record the purchase of inventory under the periodic inventory system?
- A Debit Trading Stock, credit Bank.
 - B Debit Cost of Sales, credit Bank.
 - C Debit Purchases, credit Bank.
 - D Debit Creditors Control, credit Bank.
- 24 Clove Ltd. uses the periodic inventory system and purchases all inventory on credit. The company returns a portion of the inventory purchased to the supplier. What is the correct entry to record this transaction?
- A Debit Creditors control, Credit Creditors allowance.
 - B Debit Trading stock, Credit Creditors control.
 - C Debit Creditors control, Credit Sales.
 - D Debit Creditors allowance, Credit Creditors control.

RECONCILIATIONS

- 25 What is the purpose of a creditor's reconciliation?
- A To verify the accuracy of the statement received from a supplier.
 - B To determine the credibility of the supplier.
 - C To check the bank balance of the supplier.
 - D To calculate the amount of VAT owed to SARS.

- 26 Antelope Traders received a statement for R6 500 from Aardvark Ltd. The Creditors Ledger of Antelope Traders showed an amount owing to Aardvark Ltd. of R6 200. After reviewing the transaction history, it is discovered that Aardvark Holdings was paid and not Aardvark Ltd. What is the corrected balance of Aardvark Ltd. in the Creditors Ledger of Antelope Traders, and what internal control measures should be taken to prevent this type of error in the future?

	Corrected balance	Internal control measures to prevent errors in future
A	R6 800	Implement a system of recording creditor transactions in real-time to prevent errors from accumulating.
B	R5 900	Implement a system of double-checking payments to ensure that they are made to the correct creditor.
C	R6 200	Implement a system of verifying the accuracy of creditor statements.
D	R6 500	Implement a system of reconciling creditor statements with the company's accounts payable ledger more frequently.

- 27 How should a business adjust its records on the last day of the financial year if a business has recorded a payment to a creditor in its books but the creditor has not yet received the payment?
- A Debit the creditor's account and credit the bank account.
 B Debit the bank account and credit the creditor's account.
 C Debit the creditor's account and credit the accrued expense account.
 D Debit the accrued expenses account and credit the creditor's account.
- 28 Which of the following steps should a company take to ensure that its creditor reconciliations are accurate?
- A Compare the reconciliation to previous months' reconciliations to identify any discrepancies.
 B Have a different employee perform the reconciliation each month.
 C Hire a third-party auditor to perform the reconciliation.
 D Use accounting software that automates the reconciliation process.

VAT

- 29 A VAT vendor only sells goods charged at the standard VAT rate. Total sales, excluding VAT, for the month amounted to R360 000, and purchases, excluding VAT, for the month amounted to R120 000. What is the VAT liability for the month?
- A R54 000
 B R18 000
 C R36 000
 D R46 960

- 30 JoJo's Bakery sells only white and brown bread. The following sales figures (excluding VAT) apply for February 2023:

White bread	Brown bread
R600 000	R900 000

Calculate the VAT liability for the month.

- A 45 000
- B 90 000
- C 135 000
- D 225 000