

High School Olympiad

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ACCOUNTING

GRADE 11

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!

RECONCILIATIONS

- 1 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 creditworthiness of the supplier.
 - C To check the bank balance of the supplier.
 - D To calculate the amount of VAT owed to SARS.
- 2 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 measure should be taken to prevent this type of error in the future?

	Corrected balance	Internal control measure 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 they are made to the correct creditor.
C	R6 200	Implement a system of verifying the accuracy of creditor accounts.
D	R6 500	Implement a system of reconciling creditor statements with the company's accounts payable ledger more frequently.

- 3 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 expenses account.
 - D Debit the accrued expenses account and credit the creditor's account.
- 4 Which of the following steps should a company take to ensure that its creditor reconciliation statement is 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.

FIXED ASSETS

- 5 Fixed Asset Disposal can best be described as the process of _____
- A acquiring a new asset.
 - B disposing of an existing asset.
 - C recording depreciation expenses.
 - D valuing assets at market price.
- 6 A business sells a piece of equipment for R5 000. The equipment was purchased for R10 000 and had accumulated depreciation of R6 000. Calculate the profit or loss made with asset disposal.
- A R1 000 profit
 - B R1 000 loss
 - C R4 000 profit
 - D R4 000 loss
- 7 Which ONE of the following best describes an asset disposal loss?
- A The difference between the book value and the market value of an asset at the time of disposal.
 - B The cost of an asset minus the accumulated depreciation of the asset at the time of disposal.
 - C The total amount of depreciation expenses recorded for an asset over its useful life.
 - D The total cost of an asset, including any repairs or maintenance expenses.
- 8 A company purchased a machine for R20 000 with a useful life of 4 years and a residual 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

CASH BUDGETS

- 9 What is the purpose of a cash budget?
- A It allows the business to track its monthly sales and expenses.
 - B It helps to calculate the business' profits and losses.
 - C It enables the business to increase its sales revenue and to ensure that it has enough inventory on hand.
 - D It shows the cash inflows and outflows and helps to identify future cash needs.

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- 10 Which one of the following is an example of an item that will not be included in a cash budget?
- A Payment of accounts payable.
 - B Cash purchases of equipment.
 - C Collection of accounts receivable.
 - D Depreciation expense.
- 11 Jolly Jumpers bank account shows a positive balance of R149 000 on the last day of the month. Their total cash receipts for the month were R241 000 and total cash payments were R212 000. How much cash did they have in the bank on the first day of the month?
- A R120 000
 - B R29 000
 - C R178 000
 - D R63 000
- 12 Beetle Juice budgets for an increase in sundry expenses of 10% on a month-to-month basis. The budgeted amount for March 2023 was R13 310. What was the budgeted amount for January 2023?
- A R10 000
 - B R11 000
 - C R11 979
 - D R12 100

GAAP AND IFRS

- 13 Bison Bakery purchases a piece of equipment for R100 000. Which of the following accounting principles requires the company to record the equipment at its purchase price?
- A Matching principle.
 - B Historical cost principle.
 - C Revenue recognition principle.
 - D Materiality principle.
- 14 Camel Campers receives R5 000 in cash from a customer for services to be provided in the future. Which of the following accounting principles requires the company to defer the revenue until the services have been provided?
- A Matching principle.
 - B Historical cost principle.
 - C Revenue recognition principle.
 - D Materiality principle.

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- 15 Which of the following best describes the materiality principle in accounting?
- A Financial statements must accurately reflect the financial position and performance of the company.
 - B Financial statements must be prepared consistently from one period to the next.
 - C Only significant and important information needs to be disclosed in the financial statements.
 - D All financial transactions must be recorded in the financial statements.
- 16 Which of the following best describes the prudence principle in accounting?
- A Assets should be recorded at their fair market value.
 - B Liabilities should be recorded at their historical cost.
 - C Revenue should be recognised when earned, regardless of whether payment has been received.
 - D Expenses should be recognised as soon as they are probable, and profits should be recognised only when realised.

PARTNERSHIPS: ACCOUNTING EQUATION, GENERAL LEDGER, DISTRIBUTION OF PROFITS, FINAL ACCOUNTS, FINANCIAL STATEMENTS, ANALYSIS, AND INTERPRETATION

- 17 Fox and Wolf start a partnership. Which one of the following is not a good example of a capital contribution to the partnership?
- A Non-current assets.
 - B Current assets.
 - C Offering services.
 - D Accounts payable.
- 18 A, B, and C have the choice to contribute R10 000 in cash, a piece of undeveloped land worth R15 000, or IT services worth R20 000. Which option do you think would be best for opening up a coffee shop?
- A Contributing cash because it is the easiest to value and provides immediate liquidity for the partnership.
 - B Contributing property because it can potentially appreciate in value over time and provide a long-term benefit to the partnership.
 - C Contributing IT services because it doesn't require any out-of-pocket expenses and can contribute valuable skills or expertise to the partnership.
 - D None of the above as the partnership does not need any of these as assets.

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- 19 If a partnership agreement specifies that profits and losses will be divided according to capital contributions amongst partners, and the partnership has R1 400 000 in profits for the year, how much will each partner receive if Ant has double the capital invested than Bat, and Bat has double the capital invested than CAT?

	Ant	Bat	Cat
A	800 000	400 000	200 000
B	466 667	466 667	466 667
C	1 400 000	700 000	350 000
D	700 000	350 000	175 000

- 20 Partner A contributes a building worth R500 000 as part of his capital contribution to a partnership, while Partner B contributes cash worth R500 000. What will the correct entry be?

Partner A	
Account debited	Account credited
A Building A	Capital A
B Building	Capital A
C Building	Capital
D Capital A	Building

Partner B	
Account debited	Account credited
Bank B	Capital B
Bank	Capital B
Bank	Capital
Capital B	Bank

A partnership agreement states the following:

- (i) **Capital of partners on 1 March 2022:**
Partner A R300 000
Partner B R500 000
- (ii) **Partnership salaries per year:**
Partner A R60 000
Partner B R40 000
- (iii) **Interest on capital at 6% per annum.**
- (iv) **Bonus**
Partner A R30 000
Partner B R50 000

Answer Questions 21 – 24.

- 21 How will the salaries of the partners influence the net profit of the partnership?
- A It will be recorded as an expense on the Income Statement.
 - B It will be recorded as an expense in the Profit and Loss Account.
 - C It will be recorded as a current liability in the Balance sheet.
 - D It will be recorded as a reduction in the net profit available for final distribution.

- 22 Partner A has taken 9 months' salary. What will the effect of this be?
- A The Salary account will be debited with R60 000 and the Drawings account and the Current Account: A will be credited with R45 000 and R15 000 respectively.
 - B Debit Drawings: A with R45 000 and credit Bank with R45 000.
 - C Current Account: A will increase with R15 000 as R60 000 is allocated as a salary and R45 000 is taken a drawings.
 - D The Bank account will be debited with R45 000, Drawings will be credited with R60 000, and Current Account: A will be debited with R15 000.
- 23 Partner A made an additional capital contribution of R100 000 and Partner B an additional capital contribution of R150 000 on 1 September 2022. What is the total interest expense for the year?
- A 52 500
 - B 54 250
 - C 56 750
 - D 55 500

- 24 While completing the profit sharing amongst the partners, the accountant realised that the profit for the year did not cover the terms of the agreement as the partnership did not make a big enough net profit. He made a few suggestions:

Suggestion 1: Follow the partnership agreement and do all allocations as per the agreement.

Suggestion 2: Allocate the net profit starting with the sequence of the partnership agreement until the net profit for the year is finished and then stop.

Suggestion 3: Do not allocate any profit this year.

Suggestion 4: Change the partnership agreement, e.g. interest of 2% instead of 6%.

Which suggestion do you think is the best solution for this problem?

- A Suggestion 1
 - B Suggestion 2
 - C Suggestion 3
 - D Suggestion 4
- 25 Which one of the following will not lead to the dissolution of a partnership?
- A Mutual agreement of all partners.
 - B Death or bankruptcy of a partner.
 - C Making a loss for the financial year.
 - D Transferring ownership interest to a new partner.

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The following information is taken from the balance sheet of ABC Partnership as of 28 February 2022, the last day of the financial year:

Current Assets	R150 000
Non-current Assets	R120 000
Current Liabilities	R70 000
Long-term Liabilities	R100 000
Partner's Equity	R150 000

Answer Questions 26 and 27.

- 26 Calculate the current ratio of ABC Partnership.
- A 2.1 : 1
 - B 0.7 : 1
 - C 1.2 : 1
 - D 1.5 : 1
- 27 Calculate the debt-to-equity ratio for ABC Partnership.
- A 0.7 : 1
 - B 1.5 : 1
 - C 1.6 : 1
 - D 0.6 : 1
- 28 Which of the following statements best describes why analysing financial statements is important for partnerships?
- A It helps the partners to determine their individual profit shares.
 - B It enables the partnership to comply with tax regulations.
 - C It provides a means for monitoring the partnership's financial performance.
 - D It helps the partnership to secure funding from investors.
- 29 What is a possible reason for a partnership's declining profit margin based on its financial statements?
- A An increase in operating expenses.
 - B A decrease in the cost of goods sold.
 - C An increase in revenue.
 - D All of the above.

- 30 Which of the following financial ratios is the most useful for assessing a partnership's liquidity position?
- A Current ratio.
 - B Debt-to-equity ratio.
 - C Return on equity ratio.
 - D Gross profit margin ratio.