

ACCOUNTING

GRADE 11

Olympiad Paper

Round One

Marks: 30

Time: 1 hour

Date: 10 May 2023



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!

GAAP PRINCIPLES

- 1.** Which of the following statements is true regarding Generally Accepted Accounting Principles (GAAP)?
 - A GAAP is a set of guidelines for financial reporting.
 - B GAAP is only applicable to publicly traded companies.
 - C GAAP is not important for small businesses.
 - D GAAP is a set of rules that all businesses must follow.

- 2.** Which of the following is the most important reason for following GAAP?
 - A To avoid penalties for non-compliance.
 - B To ensure that financial statements are accurate and reliable.
 - C To maintain consistency across industries.
 - D To make financial statements easier to understand for non-accountants.

- 3.** Which of the following is an example of a situation where a company might need to deviate from GAAP?
 - A The company is hiding financial information from SARS.
 - B The company operates in an industry where GAAP does not apply.
 - C The company is facing a unique situation that is not addressed by GAAP.
 - D The company's management does not agree with the principles of GAAP.

- 4.** A business purchased a new delivery truck for R300 000. Which GAAP principle requires that the cost of the truck be recorded at R300 000?
 - A Double entry principle
 - B Historical cost principle
 - C Matching principle
 - D Prudence principle

- 5.** A business has a debtor's list of R10 000 at the end of the year. Which GAAP principle requires that the business estimate and record a provision for bad debts based on the likelihood of customers not paying their bills?
 - A Double entry principle
 - B Historical cost principle
 - C Matching principle
 - D Prudence principle

RECONCILIATIONS

6. What factors could cause discrepancies between the creditor's account statement and the business's records?
- A Incorrect recording of transactions, timing differences, and bank errors.
 - B Changes in interest rates, fluctuations in exchange rates, and inflation.
 - C Changes in the business's credit rating, changes in the creditor's credit terms, and an economic downturn.
 - D Changes in the business's management, employee fraud, and changes in the business's ownership.
7. How can a business ensure that its creditor's reconciliations are accurate and reliable?
- A This can only be done if a business uses accounting software that automatically reconciles the creditor's statements.
 - B By verifying the details on the creditor's statements with the creditors directly.
 - C By using internal controls, such as separation of duties and regular audits.
 - D By paying its bills promptly and avoiding disputes with creditors.
8. Which of the following would not be included in a debtor's reconciliation?
- A Invoices that have been issued to debtors.
 - B Payments received from debtors.
 - C Outstanding debts by its creditors.
 - D Interest charged on overdue debts.
9. If the opening balance of a debtor's account was R5 000, the closing balance R7 000, and the total payments received during the month were R4 000, what was the total amount of sales made to the debtor during the month?
- A R6 000
 - B R8 000
 - C R10 000
 - D R12 000

10. A debtor owes R2 000 at an interest rate of 24% per annum and the invoice is 60 days past due. How much interest is owed at the end of the 60 days?

- A $2\,000 \times \frac{24}{100} \times \frac{2}{12} + 2\,000 \times \frac{24}{100} \times \frac{2}{12}$
- B $2\,000 \times \frac{24}{100} \times \frac{1}{12} + 2\,000 \times \frac{24}{100} \times \frac{1}{12}$
- C $2\,000 \times \frac{24}{100} \times \frac{1}{12} + 2\,040 \times \frac{24}{100} \times \frac{1}{12}$
- D $2\,000 \times \frac{24}{100} \times \frac{2}{12}$

FIXED ASSETS, DEPRECIATION, AND ASSET DISPOSAL

11. What is the purpose of depreciation?

- A To allocate the cost of an asset over its useful life.
- B To reduce the value of an asset to zero.
- C To record the fair market value of an asset.
- D To increase the value of an asset over time.

12. A business purchased a machine for R150 000 with an estimated useful life of 8 years and no residual value. Using the straight-line method, what is the annual depreciation expense?

- A R18 000
- B R15 000
- C R18 750
- D R12 750

13. A business purchased a machine for R100 000 with a useful life of 10 years and no residual value. Using the straight-line depreciation method, what is the carrying value of the machine after 4 years?

- A R50 000
- B R60 000
- C R70 000
- D R80 000

- 14.** A business purchased a machine for R100 000 with a useful life of 5 years and no residual value. The machine is depreciated with R20 000 each year. Due to economic restraints, management decided to use the machine for a 6th year. The carrying value, as indicated on the balance sheet, at the end of year 5, will be ____
- A R20 000.
 B R19 999.
 C R10 000.
 D R1.
- 15.** A company purchased a machine for R150 000. Depreciation is calculated at a rate of 20% per annum on carrying value. What will the book value of the machine be at the end of the third year?
- A R105 000
 B R120 000
 C R96 000
 D R76 800

PARTNERSHIPS

- 16.** How would you record Partner A investing R100 000 in a partnership?

	Account debited	Account credited
A	Bank	Capital - Partner A
B	Capital - Partner A	Bank
C	Bank	Capital
D	Capital	Bank

- 17.** If a partner contributes property to a partnership, how is the value of the property recorded in the partnership's books?
- A At the partner's cost basis.
 B At the fair market value.
 C At a value determined by the partnership agreement.
 D The property is not recorded in the partnership's books.
- 18.** Which of the following is an advantage of a partnership over a sole proprietorship?
- A Limited Liability.
 B Greater managerial control.
 C Greater access to capital.
 D Limited life.

19. A partnership has three partners, X, Y, and Z, with percentage shares of 40%, 30%, and 30%, respectively. The partnership's revenue for the year is R500 000. Which partner has the largest profit share?

- A Partner X
- B Partner Y
- C Partner Z
- D Partner Y and Z

20. A partnership has three partners, X, Y, and Z, and their capital contributions are R 180 000, R270 000, and R450 000 respectively. What is the percentage of ownership for each partner?

	Partner X	Partner Y	Partner Z
A	18	27	45
B	2	3	5
C	20	30	50
D	1.8	2.7	4.5

21. A partnership has total assets of R500 000, total liabilities of R200 000, and four partners. How much equity must each partner contribute in order to maintain a 25% ownership share of the partnership?

- A R25 000
- B R50 000
- C R75 000
- D R100 000

22. Which of the following would be the most effective way to increase a partnership's equity?

- A Borrow money to invest in new equipment.
- B Use new technology.
- C Increase profit.
- D Pay off existing debt.

- 23.** Both Partner A and Partner B are allocated a monthly allowance of R10 000 as salary from the partnership. Partner A has taken his full salary for the year and Partner B has taken his salary for 9 months of the year. What will the effect on the relevant accounts in the General Ledger be?

A	Salary A	120 000	Salary B	120 000
	Drawings A	120 000		Drawings B
B	Salary A	120 000	Salary B	120 000
	Drawings A	120 000	Drawings B	90 000
C	Salary A	120 000	Salary B	120 000
	Drawings A		Drawings B	
D	Salary A	120 000	Salary B	120 000
	Drawings A	120 000	Drawings B	90 000

- 24.** Why do partners earn interest on their capital?

- A To compensate them for their investment.
- B To pay for expenses incurred by the business.
- C To reduce the amount of tax owed by the business.
- D To cover any losses incurred by the business.

- 25.** Which of the following methods of distributing profits is most fair in a partnership?

- A An equal distribution of profits regardless of investment.
- B A distribution of profits based on the number of years partners have been in business together.
- C A distribution of profits based on the level of education of each partner.
- D A distribution of profits based on the amount of capital invested by each partner.

26. The primary distribution of profits in a partnership includes _____
- A allowances for salaries to partners and profit sharing.
 - B allowances for salaries, interest on capital, and bonuses to partners, as well as profit sharing.
 - C the sharing of the net profit of the business to the partners in a predetermined manner according to the partnership agreement.
 - D allowances for salaries, interest on capital, and bonuses to partners.

Partners A and B share profit in the ratio of 4:3. Partner A earns a salary of R18 000 per month and she withdrew 10 months' salary. She also receives 10% interest per year on her capital. Her primary distribution totalled R268 000 and her final distribution was R172 000. Answer questions 27 and 28.

27. How much capital did Partner A invest in the partnership?
- A R216 000
 - B R268 000
 - C R520 000
 - D R880 000
28. Calculate the total distribution of profits to partner B.
- A R201 000
 - B R129 000
 - C R440 000
 - D R330 000
29. A partnership took out an advertisement in a local newspaper for 3 consecutive months, one month before the end of the financial year. Which one of the following is the correct adjustment that needs to be made to the advertisement account on the last day of the financial year?
- A Debit the advertisement account with Prepaid expenses.
 - B Credit the advertisement account with Prepaid expenses.
 - C Debit the advertisement account with Accrued expenses.
 - D Credit the advertisement account with Accrued expenses.
30. A partnership has three partners, A, B, and C. Partner B contributed double the amount of capital than A, and C contributed double the amount of capital than B. At year-end, the partnership made a loss and R20 000 of the loss was distributed to A. What is the amount that must be distributed to C?
- A R20 000
 - B R40 000
 - C R60 000
 - D R80 000