

ACCOUNTING

GRADE 12

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!

COMPANIES: THEORY AND IFRS

- 1** Which of the following best describes the primary purpose of a company?
- A To make a profit for its shareholders.
 - B To provide a service to the community.
 - C To pay company tax on profits to SARS.
 - D To comply with legal requirements.
- 2** What is the difference between authorised shares and issued shares?
- A Authorised shares are the maximum number of shares a company is allowed to issue, while issued shares are the actual number of shares that have been sold or issued to shareholders.
 - B Authorised shares are the actual number of shares that have been sold or issued to shareholders, while issued shares are the maximum number of shares a company is allowed to issue.
 - C Authorised shares are the number of shares that a company can issue at any given time, while issued shares are the number of shares that have been authorised but not yet issued.
 - D Authorised shares and issued shares are the same.
- 3** A company has to recognise its revenue when it is earned and measurable under IFRS. Which of the following is an example of earned and measurable revenue?
- A The company has a signed contract with a customer for delivery of goods the following month.
 - B The company has received an advance payment for goods that will be delivered in the next financial year.
 - C The company has delivered goods to a customer and issued a VAT invoice for payment.
 - D The company has an agreement with a supplier to purchase raw materials in the future.
- 4** A company's financial statements are prepared in accordance with IFRS. Which of the following statements is true about the financial statements?
- A The financial statements are accurate and reliable.
 - B The financial statements are prepared for tax purposes only.
 - C The financial statements are not useful for decision-making.
 - D The financial statements are not audited.

- 5 Which of the following accounting principles requires a company to use the same accounting methods and procedures from period to period?
- A Matching principle.
 B Consistency principle.
 C Materiality principle.
 D Revenue recognition principle.

COMPANIES: GENERAL LEDGER AND ACCOUNTING EQUATION

- 6 A company’s board consists of 4 executive and 4 non-executive directors. The remuneration for directors is R10 000 per month. Which entry reflects the correct entry in the financial statements on 28 February 2023, the last day of the financial year?

	Salaries and Wages	Directors Fees
A	R960 000	R0
B	R0	R960 000
C	R480 000	R480 000
D	R960 000	R480 000

- 7 Company A has 1 000 000 shares in issue with a market price of R10 per share. The company decides to buy back 100 000 shares at R12 per share. What will the effect of this transaction on the accounting equation be?

	ASSETS	=	EQUITY	+	LIABILITIES
A	Bank 1 000 000		Share Capital 1 000 000		
	Bank 200 000		Retained Income 200 000		
B	Bank 1 200 000		Share Capital 1 200 000		
C	Bank 1 200 000		Retained Income 1 200 000		
D	Share Capital 1 000 000		Bank 1 000 000		
	Retained Income 200 000		Bank 200 000		

- 8 Company B received a loan statement from the bank for the year ending 28 February 2022. The loan is a mortgage loan at an annual interest rate of 7%. Interest is capitalised.

Balance on 28 February 2021	R645 000
Payments received	R9 375 per month for 12 months
Balance on 28 February 2022	R603 450

Which one of the following statements is incorrect?

- A The interest on the Loan account is debited and the Mortgage Loan account is credited with the interest amount of R70 950.
- B The interest on the Loan account is debited and the Mortgage Loan account is credited with the interest amount of R41 550.
- C Total payments made for the year amount to R112 500 and include interest on mortgage of R70 950.
- D The loan was obtained to purchase non-current assets and the interest is allocated to the Liability account.
- 9 The Rent-expense account shows a pre-adjustment balance of R331 000 on 28 February 2023, the last day of the financial year. The rent increased by 8% from 1 January 2023 and the rent for March 2023 was paid on 28 February 2023.

Which one of the following adjustments must be made?

		Debit	Credit
A	Rent Expense	R25 000	
	Prepaid expenses		R25 000
B	Rent Expense	R25 000	
	Accrued expenses		R25 000
C	Prepaid expenses	R27 000	
	Rent Expense		R27 000
D	Accrued expenses	R27 000	
	Rent Expense		R27 000

10 DD Limited owed SARS R300 000 in tax on 1 March 2021, the first day of the financial year. Total tax payments for the current financial year of R570 000 were made. On the last day of the current financial year, the SARS: Income Tax account had a credit balance of R30 000. Calculate the net profit before tax for the year ending 28 February 2022 if the tax rate is 30%.

- A R900 000
- B R600 000
- C R270 000
- D R1 000 000

11 The following information pertains to JJ Limited for the year ending 28 February 2023:

Retained income (balance on 1 March 2022)	R384 000
Income tax for the year	R75 000
Dividends for the year	R64 000
Net profit before tax for the year	R250 000
Net profit after tax for the year	R175 000

The balance of the Retained Income account on 28 February 2023 will be _____

- A R420 000
- B R623 000
- C R645 000
- D R495 000

12 The pre-adjustment trial balance on 28 February 2023 shows the following balances:

Debtor's control	R2 746 300
Provision for bad debts	R 85 800

R3 700 which was received from a former debtor whose account was written off as irrecoverable during the current year, was posted in error to the Debtors Control Account. The provision for bad debts is adjusted annually to 3% of debtors.

What will the effect on the accounting equation be?

	Asset	=	Equity	+	Liability
A	+3 300		-3 300		
B	-3 300		+3 300		
C	+3 300		+3 300		
D	-3 300		-3 300		

According to a physical stock take, stationery on-hand on the last day of the year amounted to R600. The Stationery account in the pre-adjustment trial balance shows a balance of R4 250. Answer questions 13 and 14.

- 13** What will the correct year-end adjustment be?

	Asset	=	Equity	+	Liability
A	+600		+600		
B	-600		-600		
C	+600		-600		
D	-600		+600		

- 14** What will the correct closing transfer be?

	Account debited	Account credited
A	Stationery R4 250	Profit and Loss R4 250
B	Stationery R3 650	Profit and Loss R3 650
C	Profit and Loss R4 250	Stationery R4 250
D	Profit and Loss R3 650	Stationery R3 650

- 15** 200 000 shares were initially issued at R8 per share. Currently, shares are sold at R12 each in the open market. After negative publicity, share prices fall to R10 a share. The company decides to purchase 100 000 shares at R11 from existing shareholders.

What will the balance of the Ordinary Shareholders' Capital Account be after the buy-back of the shares?

- A R1 600 000
 B R1 100 000
 C R800 000
 D R2 400 000

COMPANIES: FINANCIAL STATEMENTS

- 16** Vehicles are depreciated at 20% per annum on carrying value. An old delivery vehicle with a carrying value of R170 000 on 28 February 2021, the last day of the financial year, was sold for R140 000 cash on 1 December 2021. Which one of the following is correct?

	Carrying value on date of asset disposal	Depreciation for the current year	Profit/(Loss) on date of asset disposal
A	R170 000	R34 000	R4 000
B	R170 000	R34 000	(R4 000)
C	R144 500	R25 500	R4 500
D	R144 500	R25 500	(R4 500)

- 17** How does the statement of cash flow differ from the income statement and the balance sheet?
- A The statement of cash flows shows the company's cash inflows and outflows, while the income statement and balance sheet only show totals or balances.
 - B The income statement shows the company's profitability over a period of time, while the statement of cash flows and balance sheet show balances.
 - C The balance sheet shows the company's assets and liabilities at a particular point in time, while the statement of cash flows and income statement show activity over a period of time.
 - D The statement of cash flows shows the company's cash balances at a particular point in time, while the balance sheet and income statement show activity over a period of time.
- 18** What is the difference between gross profit and net profit on an income statement?
- A Gross profit is the difference between revenue and cost of goods sold, while net profit is the difference between revenue and all expenses.
 - B Gross profit is the difference between revenue and all expenses, while net profit is the difference between revenue and cost of goods sold.
 - C Gross profit is the same as net profit.
 - D Gross profit is the total revenue, while net profit is the total expenses.
- 19** Which of the following statements is true regarding a balance sheet?
- A It shows the income and expenses of a company for a specific period.
 - B It shows the financial position of a company on a specific date.
 - C It shows the cash flows of a company for a specific period.
 - D It shows the profitability of a company on a specific date.

- 20** The following information was taken from the share register for the year ending 28 February 2022:

		Number
01 March 2021	Shares in issue	1 180 000
01 July 2021	Shares issued	300 000
01 February 2022	Shares repurchased	120 000
28 February 2022	Shares in issue	?

On 31 August 2021, an interim dividend of R710 400 was paid and on the last day of the financial year, a final dividend of 12 cents was declared to all shareholders on the share register.

The total dividends for the year ending 28 February 2022 were ____

- A 12 c
- B 48 c
- C 60 c
- D 56 c

- 21** A loan agreement with B Bank indicates that monthly instalments of R20 000 must be made. On 28 February 2023, the last day of the financial year, the Mortgage Loan account has a credit balance of R754 000. What would be the correct way to include the loan on the balance sheet?

- | | | | |
|---|--------------------------|-----------------|----------|
| A | Non-current liabilities: | Mortgage loan | R754 000 |
| | Current liabilities: | Short-term loan | R0 |
| B | Non-current liabilities: | Mortgage loan | R734 000 |
| | Current liabilities: | Short-term loan | R20 000 |
| C | Non-current liabilities: | Mortgage loan | R734 000 |
| | Current liabilities: | Short-term loan | R0 |
| D | Non-current liabilities: | Mortgage loan | R494 000 |
| | Current liabilities: | Short-term loan | R240 000 |

- 22** Which ONE of the following statements is true regarding the dilution of shares?

- A It occurs when a company issues new shares.
- B It occurs when the price of existing shares increases.
- C It occurs when the number of outstanding shares decreases.
- D It occurs when a company reduces its dividend payout.

- 23** If a company's net cash flow from operating activities is negative, which of the following actions would improve its cash position?
- A Invest in new equipment.
 - B Increase debt.
 - C Collect outstanding debtors.
 - D Pay dividends to shareholders.
- 24** Assume a company has a positive net cash flow from operating activities, a negative net cash flow from investing activities, and a positive net cash flow from financing activities. What does this indicate about the company's cash position and financial strategy?
- A The company is generating cash from its operations and using it to invest in long-term assets, and finance its growth through borrowing or issuing equity.
 - B The company is generating cash from its operations but is not investing in long-term assets or financing its growth through borrowing or issuing equity.
 - C The company is generating cash from its operations, and using it to pay off debt and return capital to shareholders through dividends or stock buybacks.
 - D The company is generating cash from its operations but is facing cash outflows due to unexpected expenses or liabilities.

COMPANIES: AUDITORS REPORT AND FINANCIAL ANALYSIS

- 25** To whom will the external auditor's report be issued?
- A The full board of directors of the company.
 - B The managing director of the company.
 - C The shareholders of the company.
 - D The internal auditors of the company.
- 26** As CFO of a company, you are requested to report on the liquidity of the company. Which of the following ratios will you comment on?
- A The current ratio, stock turnover rate, average debtors' collection period, and stock holding period.
 - B Solvency ratio, earnings per share, net asset value per share, and dividends per share.
 - C Return on shareholders' equity, return on capital employed, current ratio, and earnings per share.
 - D Return on shareholders' equity, current ratio, stock turnover rate, solvency ratio, and earnings per share.

- 27** The current market price of a share in GG Limited is 450 cents. These shares have been issued at 350 cents and the net asset value per share is 420 cents. The last dividend payout was 25 cents per share. John has the opportunity to purchase 5 000 GG shares at 500 cents each from a friend.

What would you suggest John do?

- A John must purchase the shares from his friend.
- B John must purchase the shares on the open market.
- C John must not purchase shares in GG Limited at all.
- D John must wait for the market price to go lower than the net asset value per share before he purchases shares.

- 28** Which of the following ratios measures a company's ability to pay its short-term debts?

- A Liquidity ratio.
- B Debt-to-equity ratio.
- C Gross profit margin.
- D Return on investment.

- 29** Which of the following statements is true regarding the debt-to-equity ratio?

- A A high debt-to-equity ratio indicates that a company has more equity than debt.
- B A low debt-to-equity ratio indicates that a company is at a lower risk of defaulting on its debt.
- C The debt-to-equity ratio is calculated by dividing total liabilities by total assets.
- D The debt-to-equity ratio is a measure of a company's long-term solvency.

- 30** How can a company increase its return on shareholders' equity ratio?

- A By increasing its debt levels.
- B By reducing its asset base.
- C By increasing its net profit.
- D By reducing its shareholders' equity.