

High School Olympiad

Guiding the leaders of tomorrow

ACCOUNTING

GRADE 11

Olympiad Paper

Round One

Marks: 30

Time: 1 hour

Date: 7 May 2025



Instructions

Please take time to read the instructions carefully.

If the ANSWER SHEET is not COMPLETE and correct your answer sheet will be invalid.

1. **NB! Please use a HB pencil or a black pen to complete the answer sheet.**
No highlighter or colours pens are allowed.
2. The ANSWER SHEET consist of 3 sections. Accounting, Business Studies and Economics.
Please select and answer the **correct** section/subject
3. There are 4 possible answers per question (A B C D)
Only one answer is correct. Colour a circle completely.
4. Good luck!

GAAP PRINCIPLES

1. Which of the following is NOT a Generally Accepted Accounting Principle (GAAP)?
 - A Accrual basis principle
 - B Business entity principle
 - C Historical cost principle
 - D Random allocation principle
2. What does the matching principle in GAAP requires?
 - A Revenue must be recorded when cash is received.
 - B Expenses are recorded when paid, even if they relate to future financial periods.
 - C All transactions must be recorded in the financial year they occur, regardless of receipts or payments.
 - D The owner's personal expenses must be separated from business expenses.
3. A business reports sales revenue of R500 000 but has only received R300 000 in cash. How does GAAP affect this reporting?
 - A The business should only record R300 000, since that is the cash received.
 - B The business should recognise R500 000 as revenue, since it was earned.
 - C The business should record R500 000 only if no expenses are outstanding.
 - D The business should not record revenue until the full amount has been received.
4. A business is applying the prudence principle in financial reporting. Which of the following decisions best reflects the use of this principle?
 - A Overstating income to obtain a loan from a bank.
 - B Recording expected future profits in the financial statements.
 - C Recognising revenue only when cash is received.
 - D Estimating and recording potential losses from doubtful debts.
5. A business violates the business entity principle by using business funds for personal expenses. What is the biggest consequence of this action?
 - A The business's financial statements will become unreliable.
 - B The business will pay lower taxes.
 - C The business will automatically go bankrupt.
 - D The business will have higher profits.

6. A business is struggling with financial mismanagement and poor record-keeping. As an accountant, what strategy would you propose to improve GAAP compliance and ensure accurate financial reporting?
- A Use a flexible accounting system that allows for creative financial reporting.
 - B Introduce strong internal controls and follow the consistency principle.
 - C Record all assets at market value to reflect current conditions.
 - D Focus only on recording revenue, not expenses.

RECONCILIATIONS

7. A business finds a bank charge of R250 on the bank statement, but this amount has not been recorded in the financial records. How should this be corrected?
- A Add R250 to the reconciliation statement.
 - B Deduct R250 from the business's bank balance in the General Ledger.
 - C Add R250 to the Cash Receipts Journal.
 - D Ignore it, as it does not affect the reconciliation.
8. A company wants to reduce errors and delays in its reconciliation process. Which key strategies should be implemented?
- A Conduct daily reconciliations, use electronic banking, and verify all transactions promptly.
 - B Ignore minor discrepancies, focus only on large transactions, and perform reconciliations monthly.
 - C Allow different employees to handle reconciliations without reviewing their work.
 - D Remove bank charges from the financial records as it has been automatically deducted from the bank account.
9. A business is experiencing recurring discrepancies in its reconciliation due to frequent timing differences in bank deposits. As the accountant, which solution would you propose?
- A Ignore timing differences, as they will eventually balance out and the problem will solve itself.
 - B Implement a policy requiring all deposits to be made before the bank's daily cut-off time.
 - C Only record bank transactions after they appear on the bank statement.
 - D Avoid reconciling accounts too often to prevent errors.

10. A reconciliation shows a direct deposit of R2 500 from a debtor that was not recorded in the financial records. What is the correct action?
- A Add the R2 500 to the reconciliation statement.
 - B Deduct R2 500 from the bank balance in the bank reconciliation.
 - C Record the R2 500 in the Cash Receipts Journal and update the financial records.
 - D Ignore the deposit, as it will appear in the next reconciliation.
11. A business failed to reconcile its bank statement regularly, leading to financial mismanagement. What is the biggest risk of failing to perform bank reconciliations?
- A The business will not be able to pay salaries on time.
 - B The business may not detect fraud, errors, or unauthorised withdrawals.
 - C The business will have to redo all financial statements.
 - D The business will struggle to apply for a loan.

FIXED ASSETS, DEPRECIATION, AND ASSET DISPOSAL

12. A business purchased equipment for R100 000 on 1 January 2023. The equipment is depreciated at 20% per year using the diminishing balance method. What will the carrying value of the equipment be on 31 December 2024?
- A R80 000
 - B R64 000
 - C R60 000
 - D R48 000
13. Which of the following transactions will increase the carrying value of a fixed asset?
- A Charging annual depreciation using the diminishing balance method.
 - B Selling the asset at a price higher than its book value.
 - C Capitalising major repairs that extend the asset's useful life.
 - D Writing off an asset due to damage.
14. A business disposes of a vehicle that had a carrying value of R50 000. The vehicle was sold for R55 000. How should the profit on asset disposal be recorded?
- A As R5 000 profit in the income statement.
 - B As an increase in the accumulated depreciation account.
 - C As an adjustment to the asset's original cost.
 - D As a decrease in the bank account.

15. A business purchases a delivery vehicle for R200 000 and plans to use it for five years before replacing it. Which depreciation method would be most suitable if the vehicle is expected to lose more value in the early years?
- A Straight-line method
 - B Diminishing balance method
 - C Units of production method
 - D No depreciation is required
16. A business wants to implement a better asset disposal policy to maximise profits when selling old assets. Which of the following strategies would be most effective?
- A Waiting until assets reach zero book value before selling.
 - B Donating all assets to avoid disposal complications.
 - C Selling assets before they lose too much value.
 - D Ignoring depreciation when pricing old assets.

PARTNERSHIPS

17. A partnership records capital contributions as equity, rather than liabilities. Which of the following best explains why?
- A Loans must be repaid to the partners with interest.
 - B Partners' contributions are not repaid like loans.
 - C Partner contributions increase short-term liabilities.
 - D Partnerships must always take loans before using capital.
18. A partnership has three partners: X, Y, and Z. They contribute capital in the ratio 2:3:5. If the total capital contribution is R500 000, how much did Partner Y contribute?
- A R200 000
 - B R150 000
 - C R300 000
 - D R250 000
19. A new partner is contributing a large amount of capital to an existing partnership. What is the most likely impact on the existing partners' equity?
- A Their ownership percentage will decrease.
 - B Their capital balances will increase.
 - C The partnership will be liquidated.
 - D Existing partners will have higher profit shares.

20. Two partners start a new business. Partner A contributes cash, while Partner B contributes equipment and specialised skills. What policy should they adopt to ensure profit sharing remains equitable?
- A Allocate profits based solely on the cash contributed by partners.
 - B Consider both the value of capital contributed and the effort provided by each partner.
 - C Distribute profits based only on the partners' ages and experience.
 - D Avoid profit-sharing agreements and distribute profits equally.
21. Partner X and Partner Y share profits in the ratio 3:2. The total profit earned is R250 000. If Partner Y receives a bonus of R10 000 before profit sharing, how much does Partner X receive after the bonus adjustment?
- A R100 000
 - B R90 000
 - C R144 000
 - D R150 000
22. A partnership currently consists of two Partners, A and B, who share profits equally. They decide to admit Partner C, who will contribute R100 000 in capital. If the new profit-sharing ratio is 2:2:1 (A:B:C), what percentage of the profits will Partner C receive?
- A 10%
 - B 20%
 - C 25%
 - D 50%
23. A partnership is considering adding a third partner who does not contribute capital but brings in valuable expertise. What is the best way to adjust profit sharing in this case?
- A Offer the new partner a salary plus a smaller profit share.
 - B Give the new partner an equal profit share than the other partners.
 - C Reward the new partner only with bonuses.
 - D Require the new partner to contribute capital before receiving profit.
24. A business is converting from a sole proprietorship to a partnership by admitting two new partners. What is the best way to structure profit-sharing to ensure fairness?
- A Give the original owner a much larger profit share than new partners.
 - B Allow the new partners to decide their own profit shares.
 - C Divide profits equally, regardless of contributions.
 - D Base profit-sharing on capital contributions and workload.

25. According to the partnership agreement, Partner X is entitled to a monthly salary of R30 000, while Partner Y is entitled to a monthly salary of R35 000. Both partners are entitled to an annual bonus of 10% of one month's salary.
- Partner X has taken his full salary for the year.
 - Partner Y has only taken 8 months' salary and did not withdraw his bonus.

Which one of the following is correct?

	Salary – Partner X	Salary – Partner Y	Bonus Partner X	Undrawn amount
A	360 000	280 000	3 000	140 000
B	360 000	420 000	3 500	0
C	360 000	280 000	3 000	143 500
D	280 000	140 000	3 500	220 000

26. Partner X takes trading stock for own use. What will the correct entry in the financial records of the partnership be?

	Account debited	Account credited
A	Drawings – Partner X	Current Account – Partner X
B	Cost of Sales	Drawings – Partner X
C	Drawings – Partner X	Trading Stock
D	Trading Stock	Drawings – Partner X

27. A partnership consists of Partner X and Partner Y, sharing profits in a 60:40 ratio. The partnership decides to admit Partner Z, who will receive a 20% share of future profits. How will this impact Partner X's share of profits?

- A It remains the same.
- B It increases to 65%.
- C It decreases to 50%.
- D It decreases to 48%.

28. The pre-adjustment trial balance of Partnership Y shows a balance of R107 730 for insurance on 28 February 2025. Insurance was paid for one month in advance. The insurance premium increased by 10% p.a. from 1 January 2025. The insurance policy is in place for the entire financial year. What is the correct adjustment?

- A Debit Prepaid expenses and credit Rent expense - R8 100.
- B Debit Prepaid expenses and credit Rent expense - R8 910.
- C Debit Rent expense and credit Prepaid expense - R8 910.
- D Debit Rent expense and credit Prepaid expense - R8 100.

Study the following information and answer questions 29 and 30.

The following information was taken from the records of BC Traders, with Partner B and Partner C as owners, for the financial year ending 31 December 2024:

	R
Capital: B	900 000
Capital: C	700 000
Current Account: B (1 January 2024)	219 750
Current Account: C (1 January 2024)	49 500
Drawings: B	?
Drawings: C	1 125 000

The partnership agreement allows for the following:

- Salary, Partner B of R75 000 per month.
- Salary, Partner C of R720 000 per year.
- Annual bonus for Partner B of 80% of his monthly salary.
- Interest on capital is calculated at 12% per annum on capital balances. Take note that Partner C has increased her capital contribution with R150 000 on 1 July 2024.
- The remaining profit is shared between the partners in the ratio 3:2 (B:C). Partner C got R392 400.

29. Calculate the primary distribution of profit for the year for Partner C.

- A R795 000
- B R813 000
- C R822 000
- D R1 187 400

30. On the last day of the financial year the current account of Partner B reflects a balance of R0. Calculate the total drawings of Partner B for the year.

- A R1 253 850
- B R1 944 600
- C R1 800 600
- D R1 876 350