

High School Olympiad

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ACCOUNTING

GRADE 12

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!

COMPANIES: THEORY, GAAP, AND IFRS

1. Which of the following is NOT an IFRS-based accounting principle?
 - A Accrual basis principle.
 - B Going concern principle.
 - C Fair value measurement principle.
 - D Random allocation principle.
2. What is the main reason a company does not issue all its authorised shares at once?
 - A Because issuing all authorised shares would violate accounting principles.
 - B To maintain flexibility for future financing, share options, or acquisitions.
 - C Because companies are required to always keep a portion of shares unissued.
 - D To use these shares as payment options for board members.
3. What does the matching principle in GAAP require?
 - A Income 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.
4. What is a key distinction between an executive director and a non-executive director of a company?
 - A Executive directors do not attend board meetings, whereas non-executive directors manage board meetings.
 - B Executive directors are not allowed to hold shares in the company, while non-executive directors must be shareholders.
 - C Non-executive directors make operational decisions, while executive directors only advise.
 - D Executive directors are employed by the company and involved in management, while non-executive directors provide independent oversight and are not involved in daily operations.

5. A company incurred R500 000 in research and development expenses in 2025 for a product that will be launched in 2026. According to the matching principle, how should these expenses be recorded?
- A Defer the R500 000 and record it in 2026 when the product generates revenue.
 B Recognise the full R500 000 as an expense in 2025.
 C Record the expense gradually over multiple years.
 D Recognise half in 2025 and half in 2026 to spread costs evenly.

COMPANIES: GENERAL LEDGER AND ACCOUNTING EQUATION

6. The Ordinary Share Capital Account of a company shows an opening balance of R1 296 000 on 1 March 2024. The authorised shares consist of 2 000 000 ordinary shares of which 80% are in issue on 1 March 2024. On 31 March 2024, 10% of the unissued shares are issued by the company at a price of 90 cents. What will the balance of the Ordinary Share Capital Account be on 1 April 2024?
- A R1 296 000
 B R1 328 400
 C R1 332 000
 D R1 412 640
7. Company A has issued 10 000 000 shares at a price of 68 cents per share. The company decides to buy back 750 000 shares at 98 cents per share. What is the effect of the repurchase of shares on the accounting equation?

	ASSETS	=	EQUITY	+	LIABILITIES
A	-510 000		-510 000		
B	-735 000		-735 000		
C	+510 000		+510 000		
D	-735 000		+735 000		

8. A mortgage loan statement shows that 10% of the opening balance was paid off during the year. However, interest at 8% was capitalised before the payment was made. The closing balance is R500 000. What was the opening balance?
- A R505 371
 B R510 204
 C R518 629
 D R527 918

Read the following and answer questions 9 and 10.

On 28 February 2024, the last day of the financial year, the rental agreement between Company B and Hire We R expired. According to the rental agreement, Company B paid a key deposit equal to 3 months' rent to Hire We R at the beginning of the rental agreement in 2018, totalling R63 000. The current rent equals R29 000 per month and both parties have agreed that the last month's rent does not have to be paid as it can be covered by the key deposit that will be paid back during March 2025.

9. What is the rent expense for February 2024?
- A R0
 - B R21 000
 - C R29 000
 - D R63 000
10. How will you, as the accountant of Company B, handle the key deposit on the last day of the financial year? Your answer should ensure compliance with IFRS and optimise financial reporting.
- A Company B recognises the key deposit as rent income and records no further adjustments.
 - B Company B records the last month's rent as an expense, even though it was covered by the deposit.
 - C Company B writes off the key deposit as an expense immediately.
 - D Company B offsets the key deposit against the last month's rent and classifies the remaining deposit as a receivable amount.
11. Company C makes use of overnight cleaners. The Cleaning Expense account of Company C shows a debit balance of R187 800 on 28 February 2025, the last day of the financial year. The cleaning bill has been paid up until 31 March 2025. On 1 October 2024, the cleaning bill decreased by 8% as a new 24-month contract was signed. What amount should be closed off to the Profit & Loss Account for the financial year ending 28 February 2025?
- A R187 800
 - B R174 000
 - C R180 600
 - D R165 600

12. At the beginning of the financial year on 1 March 2023, Company D had a tax payable balance of R69 000 to SARS, which was paid via EFT before the end of March. During the 2024-financial year, the company made provisional tax payments of R870 000. On 28 February 2024, the SARS Income Tax account showed a debit balance of R123 000. If the company tax rate is 30%, calculate the net profit before tax for the year ending 28 February 2024.
- A R3 540 000
B R3 310 000
C R3 080 000
D R2 490 000
13. A company had trade receivables of R500 000 at the end of the year. Based on experience, the company estimates that 5% of its receivables will not be collected and creates a provision for bad debts. Where will this provision be recorded in the financial statements, and what amount will be recorded?
- A As a liability in the Statement of financial position, R25 000.
B As an expense in the Statement of profit or loss, R50 000.
C As a reduction from trade receivables in the Statement of financial position, R25 000.
D As an asset in the Statement of financial position, R20 000.
14. At the beginning of the financial year, a company had packaging materials worth R120 000 in stock. During the year, the following transactions occurred:
- Additional packaging materials were purchased for R500 000.
 - A trade discount of 5% was received on total purchases.
 - Packaging materials worth R30 000 were returned to suppliers due to defects.
 - Packaging materials worth R20 000 were damaged and written off.
 - By the end of the year, the total cost of packaging materials used amounted to R450 000.
- What is the value of closing stock?
- A R140 000
B R95 000
C R130 000
D R150 000

15. Company E plans to buy back 100 000 shares at R40 each, reducing shareholders' equity. The board wants to ensure maximum shareholder value while maintaining financial flexibility. Which plan is the best?
- A Distribute the funds as dividends instead of repurchasing shares.
 - B Cancel the buyback and reinvest the funds into new capital projects.
 - C Buy back shares in multiple phases to maintain liquidity.
 - D Buy back all shares immediately, using long-term debt to finance the repurchase.

COMPANIES: FINANCIAL STATEMENTS

16. Outdated computers with a carrying value of R800 000 on 1 March 2024, the first day of the financial year, was sold at a loss of R2 000 on 1 December 2024. Equipment is depreciated at 20% per annum on carrying value. Calculate the selling price.
- A R658 000
 - B R678 000
 - C R680 000
 - D R800 000
17. What is the primary purpose of an income statement?
- A To show a company's financial position at a specific point in time.
 - B To summarise a company's income and expense over a period and determine profit or loss.
 - C To report the cash inflow and outflow during a financial period.
 - D To list all the company's assets, liabilities, and equity at a specific point in time.
18. Which of the following would not be classified as a liability on a company's balance sheet?
- A Short-term loan
 - B Accrued expenses
 - C Depreciation
 - D Key deposit received

19. Company F has a mortgage loan at NBank. According to the loan agreement, the monthly instalment, inclusive of simple interest, is R25 000. On 28 February 2024, the balance sheet shows that the mortgage loan is R600 000 and on 28 February 2025 the balance shows R360 000. All payments have been made for the 2025-financial year. Calculate the interest rate.
- A 6%
B 8%
C 10%
D 12%
20. Company G had 1 500 000 shares in issue on 1 January 2024, the first day of the financial year. On 1 April 2024, an interim dividend of 17 cents per share was declared and paid. On 31 July 2024, 350 000 shares were repurchased from existing shareholders. On 30 September 2024, the company issued an additional 400 000 shares. On 31 December 2024, a final dividend of 22,5 cents per share was declared on all issued shares. This will be paid in March 2024. Calculate the total dividends for 2024.
- A R525 000
B R603 750
C R663 750
D R705 000
21. Company H uses the perpetual inventory system. At the end of the financial year, they identified a trading stock deficit of R75 000. Upon investigation, the finance team found the following reasons:
- Stock theft: R25 000
 - Stock spoilage: R30 000
 - Recording errors: R20 000
- Which of the following is the most likely explanation for the deficit?
- A Recording errors only caused the deficit.
B The deficit is fully explained by the given losses.
C Stock theft accounted for most of the missing stock.
D Stock spoilage should not be included in deficit calculations.

22. You are the CEO of Company I. Company I is considering whether to issue new shares or take a bank loan to raise R10 million for expansion. Which factor is most important when evaluating the best financing option?
- A The effect of dilution on existing shareholders.
 - B The company's current stock price.
 - C The ability to increase dividends immediately.
 - D The voting rights of preferred shareholders.
23. Company J reported the following transactions during the financial year:
- Issued new shares for R500 000
 - Paid dividends of R100 000
 - Received a bank loan of R200 000
 - Purchased machinery for R150 000
- What is the total cash flow from financing activities?
- A R550 000
 - B R600 000
 - C R650 000
 - D R700 000
24. Company K's cash flow statement shows negative operating cash flows but positive financing cash flows. Which of the following is the most likely explanation?
- A The company is borrowing money to cover operating losses.
 - B The company is highly profitable but inefficient in asset management.
 - C The company is using cash reserves to invest in new equipment.
 - D The company has reduced its dividend payments.
25. Company L has consistently reported positive operating cash flows but negative net cash flows over the past three years.
- A The company is aggressively investing in growth by purchasing assets.
 - B The company is in financial distress.
 - C The company is raising excessive debt.
 - D The company is distributing excessive dividends.

COMPANIES: AUDITORS REPORT AND FINANCIAL ANALYSIS

26. An auditor reviews Company M's financial statements and finds that it fairly presents the company's financial position in accordance with accounting standards. What type of audit opinion will the auditor issue?
- A Unqualified opinion
 - B Qualified opinion
 - C Adverse opinion
 - D Disclaimer of opinion
27. Company N's current ratio has declined from 2.5 in 2023 to 1.4 in 2024.
- A The company paid off long-term debt, improving financial stability and overall credit ratings.
 - B The company increased its equity financing.
 - C The company increased its short-term loans, reducing its ability to cover short-term liabilities.
 - D The company experienced a rise in net income.
28. Company X has the following financial data for 2024:
- Total assets: R2 500 000
 - Non-current assets: R1 800 000
 - Current assets: R700 000
 - Total liabilities: R1 200 000
 - Non-current liabilities: R900 000
 - Current liabilities: R300 000
 - Total equity: R1 300 000
- What is the debt-to-equity ratio?
- A 0.92:1
 - B 1.10:1
 - C 0.69:1
 - D 0.75:1
29. Company Y's dividends per share (DPS) increased from R2,50 to R3,00, while its earnings per share (EPS) remained constant at R6,00.
- A The company repurchased shares and increased issued shares.
 - B The company issued more shares, which increased total dividends.
 - C The company experienced a decline in total earnings.
 - D The company decided to distribute a higher percentage of earnings as dividends.

30. Company Z's ROSE has declined from 18% in 2023 to 12% in 2024, despite an increase in net income. Which of the following is the most likely explanation?
- A The company had a significant increase in operating expenses.
 - B The company issued more shares, increasing shareholders' equity.
 - C The company increased their loans and increased their liabilities.
 - D The company declared more dividends that reduced net income.