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ACCOUNTING Olympiad GRADE 11

DATE: 5-8 AUGUST 2024

TIME: 90 MINUTES

INSTRUCTIONS:

1. This booklet has 30 multiple choice and 10 open ended questions.
2. Use the answer sheet provided.

   Circle the letter corresponding to your answer.
3. All working details must be done in the space provided.
4. Calculators are permitted.
5. Diagrams are not necessarily drawn to scale.
6. The first 30 questions carry 1 mark each and the next 10 carry 2 marks each.
7. You have 90 minutes for the paper which works out to an average of 2.25 minutes per question.
8. Read the questions carefully before answering.
9. Visit the website: www.saolympiads.co.za.

ENJOY THE OLYMPIAD.

Grade Eleven Accounting Olympiad 2024

SECTION A

Indicate the most correct answer by indicating the correct letter on the answer sheet provided.

1. What is the primary purpose of the income statement in accounting?

   A To list all assets and liabilities
   B To show the owner's equity
   C To provide a snapshot of a company's financial position
   D To report revenues and expenses over a specific period (1)

2. Which of the following is considered a contra-asset account?

   A Accumulated Depreciation
   B Accounts Payable
   C Common Stock
   D Retained Earnings (1)

3. What does the term "GAAP" stand for in accounting?

   A Generally Accepted Accounting Practices
   B Generally Approved Accounting Principles
   C Generally Acknowledged Accounting Procedures
   D Generally Accepted Accounting Principles (1)

4. What is the primary purpose of the statement of cash flows?

   A To report a company's profitability
   B To calculate taxes
   C To show the sources and uses of cash during a period
   D To summarize a company's long-term debt (1)

5. If a company's total assets are R500,000 and its total liabilities are R250,000, what is the owner's equity?

   A R750,000
   B R250,000
   C R500,000
   D R1,000,000 (1)

6. Which account represents money owed to creditors and is classified as a liability?

   A Revenue account
   B Expense account
   C Asset account
   D Liability account (1)

7. When a company receives cash in advance from a customer for services it will provide in the future, which account is credited?

   A Cash
   B Accounts Receivable
   C Unearned Revenue
   D Sales Revenue (1)

8. What is the formula for calculating net income?

   A Net Income = Total Assets - Total Liabilities
   B Net Income = Total Revenue + Total Expenses
   C Net Income = Owner's Equity - Liabilities
   D Net Income = Total Revenue - Total Expenses (1)

9. What does the term "depreciation" refer to in accounting?

   A Increase in asset value
   B Decrease in liability
   C Allocation of the cost of an asset over its useful life
   D Increase in owner's equity (1)

10. Which financial statement reports the ending balances of a company's equity accounts?

    A Income statement
    B Balance sheet
    C Statement of cash flows
    D Statement of retained earnings (1)

11. What is the primary purpose of a trial balance in accounting?

A To identify errors in financial transactions
B To calculate tax liabilities
C To prepare financial statements
D To summarize all business transactions (1)

12. Which account represents the amount of net income that is retained within the company for future use?

A Common Stock
B Accounts Payable
C Retained Earnings
D Prepaid Expenses (1)

13. When a company pays interest on a loan, which accounts are affected?

A Cash and Loan: XY Bank
B Cash and Notes Payable
C Interest Expense and Accounts Payable
D Interest Expense and Cash (1)

14. Which financial statement provides information about a company's cash inflows and outflows from operating, investing, and financing activities?

A Income statement
B Balance sheet
C Statement of cash flows
D Statement of retained earnings (1)

15. What is the primary purpose of the statement of retained earnings?

A To report on a company's profitability
B To calculate taxes owed by a company
C To show changes in the owner's equity over a specific period
D To summarize a company's assets and liabilities (1)

16. Which of the following is an example of a current asset?

A Land
B Prepaid rent
C Long-term loan
D Patent (1)

17. What is the accounting equation?

A Assets = Liabilities + Owner's Equity
B Assets + Liabilities = Owner's Equity
C Liabilities = Assets - Owner's Equity
D Owner's Equity = Liabilities – Assets (1)

18. When a company records a sale on credit, which accounts are affected?

A Cash and Accounts Receivable
B Cash and Sales Revenue
C Accounts Receivable and Sales Revenue
D Accounts Payable and Sales Revenue (1)

19. What is the purpose of a journal entry in accounting?

A To summarize financial transactions
B To prepare financial statements
C To calculate taxes
D To communicate with shareholders (1)

20. Which accounting principle states that financial statements should reflect the assumption that a business will continue to operate indefinitely?

A Matching principle
B Going concern principle
C Revenue recognition principle
D Conservatism principle (1)

21. What is the primary purpose of a general ledger in accounting?

A To record all financial transactions in chronological order
B To prepare financial statements
C To calculate taxes
D To manage employee payroll (1)

22. If total assets are R400,000 and total liabilities are R250,000, what is the owner's equity?

A R150,000
B R400,000
C R250,000
D R650,000 (1)

23. Which financial statement provides information about a company's revenues and expenses over a specific period?

A Balance sheet
B Statement of cash flows
C Income statement
D Statement of retained earnings (1)

24. What is the primary purpose of the statement of retained earnings?

A To calculate taxes owed by a company
B To report on a company's profitability
C To show changes in the owner's equity over a specific period
D To summarize a company's assets and liabilities (1)

25. Which of the following accounts is typically classified as a current liability?

A Long-term loan
B Common Stock
C Accounts Payable
D Equipment (1)

26. Which of the following is an example of an operating expense?
A Purchase of equipment
B Payment of dividends to shareholders
C Rent for office space
D Acquisition of inventory (1)

27. When a company receives cash in advance from a customer for services it will provide in the future, which account is credited?

A Cash
B Accounts Receivable
C Unearned Revenue
D Sales Revenue (1)

28. What financial statement shows a company's financial position at a specific point in time?

A Income statement
B Balance sheet
C Statement of cash flows
D Statement of retained earnings (1)

29. What is the purpose of the "going concern" principle in accounting?

A To ensure accurate financial reporting
B To match expenses with revenues
C To reflect the assumption that a business will continue to operate indefinitely
D To prioritize shareholders' interests (1)

30. What is the primary purpose of a bank reconciliation statement?

A To record transactions related to the purchase of inventory
B To reconcile discrepancies between the company's cash balance and the bank's balance
C To calculate the depreciation expense for fixed assets
D To determine the cost of goods sold for the accounting period (1)

SECTION B

31. Explain the concept of cost accounting and how it assists businesses in cost control and product pricing. (2)

32. How do changes in tax laws and regulations affect financial reporting and tax planning for businesses? (2)

33. Explain the concept of financial ratios and their significance in assessing a company's performance. (2)

34. Define the term “accounts receivable” in accounting terminology. (2)

35. What is the significance of internal controls in accounting (2)

36. What is the difference between a trial balance and a balance sheet? (2)

37. Define the term "accrual accounting" in the context of financial reporting. (2)

38. Calculate the amended balance of the Creditors Control Account and the Creditors List.

INFORMATION:

On 31 October 2023, the Creditors control account of Ford Stores prepared by an inexperienced creditors clerk, is not reconciling. The figures were presented to you:

Creditors Control Account Balance	R24 760
Creditors List Total	R10 610

ADDITIONAL INFORMATION

(a) An adding error in the Creditors List resulted in the total being overcast by R450.
(b) A credit purchase of R9 800 from a creditor, P. Wholesalers, was not recorded in the books at all.
(c) The Creditors Control total of R3 700 in the Cash Payments Journal was credited to the Creditors Control Account. Correct the error.
(d) A discount of R60, which was initially received from a creditor and recorded has to be reversed because payment to the creditor was not made on time.
(e) An invoice recorded correctly in the Creditors Journal for R19 100 was incorrectly posted to the Creditors Account as R11 900. Correct the error. (2)

39. Calculate:
- Profit or loss on disposal of vehicle

INFORMATION:

STARLIGHT STORES
EXTRACT FROM THE PRE-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2023

BALANCE SHEET ACCOUNTS SECTION	2023	2022
Land & Buildings	5 000 000	5 000 000
Vehicles	?	1 250 000
Accumulated depreciation on vehicles	?	420 000
Equipment	822 000	774 000
Accumulated depreciation on equipment	?	360 000
NOMINAL ACCOUNTS SECTION		
Sales	17 850 000	
Cost of sales	10 200 000	
Asset disposal (cash received on vehicle sold)	91 500	

ADDITIONAL INFORMATION:

FIXED ASSETS AND DEPRECIATION

VEHICLES:

- An old vehicle was sold for R91 500 on 30 November 2022. The amount received was recorded but no further entries were made. Details of the vehicle sold:
  Carrying value on 1 March 2022 R104 000
  Depreciation: 20% p.a. on the diminishing balance method.
- Depreciation on the remaining vehicles: R145 200

EQUIPMENT:

- Equipment is depreciated at 15% p.a. on cost.
- New equipment was bought on 31 July 2022. (2)

40. Use the information given in Question 39 and calculate the TOTAL DEPRECIATION for the year. (2)

TOTAL MARKS = 50