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ACCOUNTING Olympiad GRADE 12

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 Twelve 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 statement of cash flows in accounting?

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

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

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

3. The Generally Accepted Accounting Principles (GAAP) provide guidelines for which of the following?

   A Tax reporting
   B Inventory management
   C Financial statement preparation
   D Employee training (1)

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

   A To list all assets and liabilities
   B To calculate depreciation expenses
   C To show changes in owner's equity
   D To report revenues and expenses over a specific period (1)

5. Which financial statement provides a snapshot of 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)

6. What is the purpose of the statement of retained earnings?

   A To show changes in the owner's equity over a specific period
   B To calculate taxes owed by the company
   C To report the company's cash balance
   D To list all expenses incurred during a fiscal year (1)

7. If a company's total assets are R800,000, and its total liabilities are R300,000, what is the owner's equity?

   A R500,000
   B R300,000
   C R800,000
   D R1,100,000 (1)

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

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

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

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

10. 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)

11. What is the primary purpose of an audit in accounting?

    A To calculate tax liabilities
    B To prepare financial statements
    C To provide an independent assessment of financial statements
    D To manage internal controls (1)

12. Which of the following is considered an intangible asset?
    A Land
    B Buildings
    C Goodwill
    D Inventory (1)

13. What is the primary purpose of the statement of financial position?
    A To report the financial performance of a business over a specific period
    B To provide information about the sources and uses of cash during a specific period
    C To report the financial position of a business at a specific point in time
    D To determine the value of inventory on hand (1)

14. Which financial statement shows the net income or net loss of a business for a specific period?
    A Income statement
    B Statement of cash flows
    C Balance sheet
    D Statement of retained earnings (1)

15. Which financial statement shows the changes in equity for a specific period?
    A Income statement
    B Statement of cash flows
    C Balance sheet
    D Statement of retained earnings (1)

16. What is the primary purpose of the directors' report in a company's annual report?
A To provide information about the company's financial position at a specific point in time
B To report the financial performance of the company over a specific period
C To disclose key information about the company's operations, performance, and outlook
D To calculate the depreciation expense for fixed assets (1)

17. Which of the following statements best describes the primary purpose of an auditor's report?
A To provide recommendations for improving internal controls within the company.
B To certify the accuracy of the financial statements prepared by the company's management.
C To express an opinion on the fairness of the financial statements in accordance with accounting standards.
D To outline the company's business strategies and performance for shareholders and stakeholders. (1)

18. Which regulatory body typically sets guidelines for the content and format of the directors' report?
A International Monetary Fund (IMF)
B International Financial Reporting Standards (IFRS)
C Securities and Exchange Commission (SEC)
D Generally Accepted Accounting Principles (GAAP) (1)

19. What role do financial statements play in the directors' report?
A They provide an overview of the company's corporate governance practices.
B They outline the company's strategic objectives and future plans.
C They present the company's financial performance and position.
D They analyze the company's environmental and social impact. (1)

20. Which of the following statements is true regarding the directors' report?
A It is optional for private companies but mandatory for public companies.
B It is prepared by external auditors to provide an independent assessment of the company's performance.
C It must be approved by the company's shareholders before inclusion in the annual report.
D It is a legal requirement for all companies, regardless of their size or ownership structure. (1)

21. Which of the following information is commonly included in the directors' report?
    A Breakdown of revenue by product category
    B Detailed analysis of competitors' strategies
    C Personal biography of each director
    D Description of accounting policies used in preparing financial statements (1)

22. What is the primary purpose of internal controls in accounting?

    A To calculate tax liabilities
    B To prepare financial statements
    C To safeguard assets and prevent fraud
    D To manage employee payroll (1)

23. Who is typically responsible for preparing the directors' report?
    A Shareholders
    B Board of Directors
    C Auditors
    D Government regulators (1)

24. When preparing financial statements, which accounting principle requires that you record expenses in the period they are incurred and revenue in the period it is earned, regardless of when cash is exchanged?

    A Matching Principle
    B Revenue Recognition Principle
    C Historical Cost Principle
    D Consistency Principle (1)

25. A company's current ratio is 2.0, and its quick ratio is 1.5. What does this indicate about the company's liquidity?

    A The company is very liquid
    B The company is somewhat liquid
    C The company is not very liquid
    D The company is insolvent (1)

26. Under which method of inventory valuation are the newest items added to inventory costs and the older items assigned the lower costs?

    A LIFO (Last-In-First-Out)
    B FIFO (First-In-First-Out)
    C Weighted Average
    D Specific Identification (1)

27. Which financial statement shows the company's performance over a specific period by reporting revenues, expenses, and net income (or net loss)?

A Balance Sheet
B Income Statement
C Cash Flow Statement
D Statement of Owner's Equity (1)

28. When a company receives payment for services it will provide in the future, what type of account should be created?

A Asset
B Liability
C Owner's Equity
D Expense (1)

29. Which of the following is NOT a component of the Cash Flow Statement?

A Cash Flow from Operating Activities
B Cash Flow from Investing Activities
C Cash Flow from Financing Activities
D Cash Flow from Sales Activities (1)

30. If a company purchases a piece of machinery, how will this transaction affect the accounting equation (Assets = Liabilities + Owner's Equity)?

A Assets will decrease, Liabilities will decrease, Owner's Equity will decrease
B Assets will increase, Liabilities will decrease, Owner's Equity will increase
C Assets will decrease, Liabilities will increase, Owner's Equity will decrease
D Assets will increase, Liabilities will increase, Owner's Equity will remain the same (1)

SECTION B

31. The following information is an extract from the Pre-Adjustment Trial Balance of Robbies Ltd for the year ended 28 February 2021.

Trading Stock	?
Sales	?
Cost of sales	R6 966 000
Rent Income	R173 000
Director's fees	R3 330000
Ordinary Share Dividends	R86 400

Adjustment and Additional Information:

A. The business maintains a mark-up of 120% on cost. Note that trade discounts of R648 000 were granted to special customers.

B. Trading Stock is valued on the weighted-average method. The ledger account and records reflect that 280 units should be on hand. However, the physical stock count reflects on 262 units on hand. The stock records are as follows:

	UNITS	UNIT PRICE	TOTAL
Stock – beginning of the year	200	R3 600	R 720 000
Purchased during the year	1 840	R4 100	R7 544 000
Returns: damaged units from the above purchases	40		
Available for sale	2 000		R8 100 000
Stock per records	280	?	?

C. The company has 4 directors earning the same fee. One director resigned on 31 May 2020 and received his fee up to this date. Another director is still owed for January and February 2021.

Required

Refer to the above extract from the Pre-Adjustment Trial Balance and **Information A**, calculate the **SALES** amount to be shown in the Statement of Comprehensive Income Statement for the financial year ended 28 February 2021. (2)

32. Calculate the total number of additional shares that N. Denise had purchased.

INFORMATION:

You are provided with information relating to Q Ltd for the year ended 28 February 2023.

On 1 March 2022, Q Ltd issued an additional 300 000 shares.
On 28 February 2023, there were 1 500 000 shares in issue.

N. Denise, the CEO of the company, owned 540 000 shares in the company on 1 March 2022. She continued to buying additional shares on the JSE at various times during the year. During 28 February 2023, N. Denise became the majority shareholder as she then owned 51% of the shares in issue. (2)

33. Calculate the amount of dividends S. Sting earned for the financial year 29 February 2020.

INFORMATION:

S. Sting is a shareholder in TOYOTA LTD.

- He purchased 23 000 shares 2 years ago at R3,80 each.
- On 1 March 2019, he purchased a further 2 000 shares.
- On 1 February 2020, the company repurchased 3 000 of his shares. Shares repurchased do not qualify for final dividends.

DIVIDENDS:

- The company paid an interim dividend of 30c per share in December 2019.
- A final dividend of 50c per share was declared at the end of the financial year.

STUDY YHE EXTRACT FROM THE CASH BUDGET BELOW AND THEN ANSWER QUESTION 34 AND 35.

EXTRACT FROM THE CASH BUDGET: OCTOBER TO DECEMBER 2022

	OCTOBER	NOVEMBER	DECEMBER
RECEIPTS			
Loan from Sharp Bank (12% p.a.)	400 000		
PAYMENTS			
Repayment of loan		40 000	40 000
Interest on loan		4 000	**A**
Wages	32 500	22 048	**B**

INFORMATION:

LOAN AND INTEREST ON LOAN:
The interest on loan and monthly loan instalments are payable at the end of each month. Interest is not capitalised.

WAGES:

- In October 2022, the business will have 5 employees, each earning R1 300 per week.
- All the employees are paid their wages on Friday. There are 5 Fridays in October and 4 Fridays in November and December 2020.

- One employee has served notice of his resignation on 31 October 2020 and the other employees will be given a 6% increase on that date.
- The business plans to employ 2 more staff members on the same weekly wages as the others on 1 December 2020. (2)

34. From the extract above, calculate the Interest on Loan **(A)**, for December 2020. (2)

35. From the extract above, calculate the **Wages (B),** for December 2020. (2)

36. Calculate the total cost of production of school dresses produced.

Minnie, the owner is concerned about the wastage of fabric in the dressmaking section. Calculate the cost of this wastage to the business.

INFORMATION

A. RAW MATERIALS STOCK (FABRIC USED TO MAKE THE DRESSES)

Fabric is issued to the factory using the weighted average method.

	Units (metres)	Cost per metre	Total Cost
Stock of fabric on 1 May 2023	9 000	R14,20	R127 800
Fabric purchased during the year	33 000	R17,00	R561 000
Fabric issued to the factory	29 000	R16,40	R475 600

B. PRODUCTION AND SALES
- Manufacturing one dress requires 1,6 metres of fabric.
- 17 800 dresses were produced and sold during the financial year at R75 per dress.

C. Factory Overhead Cost R190 450
D. Direct Labour Cost R535 450 (2)

37. Peter, the owner of Highway Stores requested you to calculate the VAT amount either Payable to OR Receivable from SARS. In your answer indicate whether the amount is receivable or payable. The Standard VAT rate of 15% is applicable.

INFORMATION:

TRANSACTIONS FOR JULY AND AUGUST 2022

Total Sales (including VAT)	R87 975
Total Purchases (excluding VAT)	R52 000
Sundry expenses (water, electricity, telephone and bank charges) (including VAT)	R10 120

Salaries and wages to staff	R18 500	
VAT on old cash register sold for cash	R 360	
VAT on goods taken by Peter for own use	R 113	
VAT on stock donated to local child welfare	R 180	(2)

38. How does the concept of materiality impact financial reporting decisions? (2)

39. Discuss the ethical considerations accountants face when presented with accounting irregularities or unethical behaviour within an organization. (2)

40. Explain the impact of tax law changes on a company's financial reporting and tax planning strategies. (2)

TOTAL MARKS = 50