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ACCOUNTING Olympiad GRADE 12

DATE: 7 AUGUST 2025

TIME: 90 MINUTES

INSTRUCTIONS:

1. This booklet has 30 multiple choice questions 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 2025

SECTION A

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

1. Which financial statement provides information about a company's liquidity?
   A. Income Statement
   B. Statement of Financial Position
   C. Cash Flow Statement
   D. Statement of Changes in Equity (1)

2. Which account is classified as a non-current liability?
   A. Bank overdraft
   B. Mortgage loan
   C. Creditors control
   D. Accrued expenses (1)

3. What is the purpose of the Statement of Changes in Equity?
   A. To show the movement in owner's equity
   B. To show income and expenses
   C. To list assets and liabilities
   D. To record cash transactions (1)

4. Which depreciation method charges the same amount each year?
   A. Reducing balance
   B. Straight-line
   C. Units of production
   D. Sum-of-the-years' digits (1)

5. Accumulated depreciation is:
   A. A liability
   B. An expense
   C. A contra-asset
   D. Owner's equity (1)

6. Which activity is classified under operating activities in the cash flow statement?
   A. Purchase of equipment
   B. Sale of investments
   C. Payment of salaries
   D. Repayment of loan capital (1)

7. Cash paid to suppliers is recorded under:
   A. Financing activities
   B. Operating activities
   C. Investing activities
   D. Equity activities (1)

8. Cash received from the sale of a fixed asset is an example of:
   A. Operating activities
   B. Investing activities
   C. Financing activities
   D. Capital activities (1)

9. Which of the following would NOT appear in the cash flow statement?
   A. Payment of dividends
   B. Depreciation expense
   C. Loan repayments
   D. Cash sales (1)

10. Net cash from operating activities is calculated by:
    A. Adding non-cash expenses to profit
    B. Deducting loan repayments from profit
    C. Adding loan proceeds to profit
    D. Subtracting dividends from profit (1)

11. Which of the following affects the cost of sales?
    A. Closing stock
    B. Debtors
    C. Creditors
    D. Bank balance (1)

12. Goods stolen from inventory will:
    A. Increase the cost of sales
    B. Decrease purchases
    C. Increase sales
    D. Decrease expenses (1)

13. Which inventory valuation method results in the highest closing stock value during inflation?
    A. FIFO
    B. LIFO
    C. Weighted average
    D. Specific identification (1)

14. Which journal records purchase returns?
    A. Cash Receipts Journal
    B. Creditors Journal
    C. General Journal
    D. Debit Note Journal (1)

15. Trade discounts are:
    A. Recorded in the accounting records
    B. Shown on the invoice but not recorded
    C. Added to the cost price
    D. Included in VAT calculations (1)

16. The current ratio is calculated as:
    A. Current assets ÷ Current liabilities
    B. Current liabilities ÷ Current assets
    C. Total assets ÷ Total liabilities
    D. Net profit ÷ Total sales (1)

17. A high debt-equity ratio indicates:
    A. Low financial risk
    B. High financial risk
    C. High liquidity
    D. High profitability (1)

18. Return on Capital Employed (ROCE) measures:
    A. Liquidity
    B. Profitability
    C. Solvency
    D. Efficiency (1)

19. Which of the following ratios measures how quickly assets are converted to cash?
    A. Acid-test ratio
    B. Debt-equity ratio
    C. Gross profit ratio
    D. Return on equity (1)

20. A high inventory turnover ratio suggests:
    A. Slow-moving stock
    B. Efficient stock management
    C. Excess stock
    D. Poor sales (1)

21. Which of the following is NOT an internal control?
    A. Proper authorization
    B. Separation of duties
    C. Recording all transactions accurately
    D. Ignoring petty cash transactions (1)

22. Which ethical principle requires accountants to avoid bias or conflict of interest?
    A. Confidentiality
    B. Integrity
    C. Objectivity
    D. Professional competence (1)

23. Fraud in accounting can be reduced by:
    A. Ignoring errors
    B. Regular audits
    C. Allowing one person to manage cash
    D. Avoiding documentation (1)

24. An example of unethical behaviour in accounting is:
    A. Following GAAP
    B. Manipulating financial records to mislead users
    C. Reporting honestly
    D. Disclosing all relevant information (1)

25. Which control ensures only valid transactions are recorded?
    A. Authorization
    B. Verification
    C. Documentation
    D. Physical controls (1)

26. In a partnership, goodwill is:
    A. An asset to the partnership
    B. A liability
    C. An expense
    D. Owner's equity (1)

27. Which document is issued when a company sells shares to the public?
    A. Share certificate
    B. Invoice
    C. Receipt
    D. Statement of changes in equity (1)

28. Dividends paid by a company are:
    A. An expense
    B. A liability until paid
    C. Owner's equity
    D. Revenue (1)

29. The minimum number of directors required for a private company is:
    A. 1
    B. 2
    C. 3
    D. 5 (1)

30. In company accounting, the statement of changes in equity includes:
    A. Sales and purchases
    B. Share capital, retained earnings, and dividends
    C. Debtors and creditors
    D. Cash and bank balances (1)

SECTION B

31. Why is it important to calculate the depreciation of fixed assets annually? (2)

32. What does a decrease in the current ratio over two years suggest for the business's liquidity? (2)

33. How does the declaration of a final dividend affect the accounting equation? (2)

34. Why must interest on a loan be adjusted in the Income Statement if only part of it has been paid? (2)

35. What is the effect of an increase in trading stock on credit on the cash flow statement? (2)

36. Why is the acid-test ratio considered more reliable than the current ratio? (2)

37. How would the issue of additional shares for cash affect the financial statements? (2)

38. What does a high debt/equity ratio indicate about a company's financial risk? (2)

39. Why are adjustments like accrued income and income received in advance important for accurate financial reporting? (2)

40. What does it mean if a company's return on capital employed (ROCE) is lower than the interest rate on loans? (2)

TOTAL MARKS = 50