ACCOUNTING Olympiad GRADE 12

DATE: 6 AUGUST 2026

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.

GOOD LUCK! ENJOY THE OLYMPIAD.

Grade Twelve Accounting Olympiad 2026

SECTION A

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

1. Which financial statement reports a company's financial performance over a specific period?
   A. Statement of financial position
   B. Statement of comprehensive income
   C. Cash flow statement
   D. Statement of changes in equity (1)

2. Which section of the Cash Flow Statement reflects cash generated from the main operations of a business?
   A. Investing activities
   B. Financing activities
   C. Operating activities
   D. Non-cash activities (1)

3. Which of the following represents authorised share capital?
   A. The portion of share capital issued to shareholders
   B. The maximum number of shares a company is allowed to issue
   C. The amount received from shareholders
   D. The market value of issued shares (1)

4. A company issued shares at a price above their nominal value. The excess is recorded as:
   A. Share capital
   B. Retained income
   C. Share premium
   D. Accumulated profit (1)

5. Which principle requires companies to account for expected losses but not anticipated profits?
   A. Consistency
   B. Prudence
   C. Matching
   D. Materiality (1)

6. Dividends declared but not yet paid at year-end are classified as:
   A. Non-current assets
   B. Current assets
   C. Non-current liabilities
   D. Current liabilities (1)

7. Which item appears in the equity section of the Statement of Financial Position?
   A. Bank overdraft
   B. Retained income
   C. Trade creditors
   D. Loan from bank (1)

8. Which type of audit is conducted by an independent external auditor?
   A. Internal audit
   B. Management audit
   C. External audit
   D. Operational audit (1)

9. Which responsibility rests with company directors?
   A. Preparing the audit report
   B. Examining internal controls
   C. Preparing annual financial statements
   D. Certifying audit evidence (1)

10. Which financial ratio measures a company's ability to meet short-term obligations?
    A. Debt-to-equity ratio
    B. Net profit margin
    C. Current ratio
    D. Return on equity (1)

11. The formula for the acid-test ratio is:
    A. Current assets ÷ current liabilities
    B. (Current assets – inventory) ÷ current liabilities
    C. Total assets ÷ total liabilities
    D. Cash ÷ total expenses (1)

12. Which ratio indicates how efficiently a company uses shareholders' funds?
    A. Current ratio
    B. Return on equity
    C. Inventory turnover rate
    D. Debt ratio (1)

13. Which document gives shareholders assurance on the fairness of financial statements?
    A. Directors' report
    B. Audit opinion
    C. Cash flow statement
    D. Statement of changes in equity (1)

14. When a company repurchases its own shares, this transaction is known as:
    A. Share issue
    B. Share split
    C. Share buy-back
    D. Rights issue (1)

15. Which item would reduce retained income?
    A. Issue of shares
    B. Net profit
    C. Dividends paid
    D. Share premium (1)

16. Which ratio assesses a company's ability to cover interest payments?
    A. Debt-to-equity ratio
    B. Interest cover ratio
    C. Return on assets
    D. Asset turnover (1)

17. The gearing ratio is used to assess a company's:
    A. Profitability
    B. Liquidity
    C. Solvency
    D. Efficiency (1)

18. Which ratio measures how quickly inventory is sold?
    A. Current ratio
    B. Inventory turnover rate
    C. Gross profit margin
    D. Mark-up percentage (1)

19. Which section of the Cash Flow Statement includes the purchase of fixed assets?
    A. Operating activities
    B. Financing activities
    C. Investing activities
    D. Non-cash activities (1)

20. Which of the following indicates good liquidity?
    A. Low current ratio
    B. High debt ratio
    C. Current ratio greater than 1
    D. High inventory turnover (1)

21. Which financial statement shows movements in equity during the year?
    A. Cash flow statement
    B. Statement of comprehensive income
    C. Statement of changes in equity
    D. Statement of financial position (1)

22. Which ratio is most useful to potential investors?
    A. Current ratio
    B. Return on equity
    C. Acid-test ratio
    D. Inventory turnover rate (1)

23. Which document is required by law for public companies?
    A. Trading account
    B. Internal audit report
    C. External audit report
    D. Budget report (1)

24. An increase in long-term loans will result in:
    A. Improved liquidity
    B. Lower gearing
    C. Increased solvency risk
    D. Reduced interest expense (1)

25. Which ratio shows the percentage of profit made on sales?
    A. Gross profit margin
    B. Return on equity
    C. Current ratio
    D. Asset turnover (1)

26. Which item is deducted when calculating net profit?
    A. Cost of sales
    B. Gross profit
    C. Operating expenses
    D. Sales (1)

27. Which stakeholder is primarily interested in a company's solvency?
    A. Employees
    B. Creditors
    C. Customers
    D. Management (1)

28. Which accounting concept ensures financial statements are prepared using the same methods each year?
    A. Prudence
    B. Materiality
    C. Consistency
    D. Matching (1)

29. Which ratio compares total debt to shareholders' equity?
    A. Acid-test ratio
    B. Debt-to-equity ratio
    C. Inventory turnover
    D. Return on assets (1)

30. Which financial statement shows a company's cash position at year-end?
    A. Statement of comprehensive income
    B. Cash flow statement
    C. Statement of financial position
    D. Statement of changes in equity (1)

SECTION B

31. Define retained income. (2)

32. State two functions of an external auditor. (2)

33. What is meant by solvency? (2)

34. State two examples of operating activities on a Cash Flow Statement. (2)

35. Define the term dividend. (2)

36. State two users of published financial statements. (2)

37. What is the purpose of the acid-test ratio? (2)

38. State two reasons why shareholders are interested in profitability. (2)

39. Explain the term gearing. (2)

40. State two ethical responsibilities of company directors. (2)

TOTAL MARKS = 50