PAN AFRICA CHRISTIAN UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE MASTERS IN BUSINESS ADMINISTRATION (MBA)

CAMPUS: ONLINE

DEPARTMENT: BUSINESS

COURSE TITLE: FINANCIAL ACCOUNTING

MBA504

EXAM DATE: AUGUST 2026

TIME ALLOWED: 3HRS

INSTRUCTIONS

- Read the instructions and questions carefully before you write the answers.
- Write your STUDENT NUMBER in the Answer Booklet given
- Answer All questions in Section A, Two Questions in Section B
- Cell Phones or smart watches are not allowed in the exam room. If you brought your cell phone or smart watch with you it must be switched off - not in silent mode - and stored away in your book bag.
- No digital or written or printed materials are allowed within your reach during the entire exam period.
- Time allocated - 3 Hours

SECTION A - ANSWER ALL QUESTIONS IN THIS SECTION

QUESTION ONE - 10 MARKS

All business transactions can be demonstrated in terms of changes in the elements of the accounting equation and their effects on financial statements. In your current work engagement, you noted that the following transactions were made during the month of May, 2026.

I. Purchased Inventory worth Kes 200,000

II. Sold goods in the amount of Kes 300,000 and deposited cash into the bank

III. Paid Kes 50,000 for utilities

IV. Sold goods on credit in the amount of Kes 100.000

V. Paid Kes 200,000 for Furniture procured within the month

***All cash transactions were done through the bank

Required:

a. Prepare journal entries for each transaction. (5 marks)
b. Explain how these transactions collectively impact the net income (5 marks)

QUESTION TWO - 10 MARKS

Use the following information to prepare a Statement of Cash Flows using the Direct Method for the year ended 31 December 2025

Income Statement Extract

Particulars	KES(000)	KES(000)
Sales Revenue		1,500,000
Cost of Sales		980,000
Gross Profit		520,000
Gain on Sale of Equipment	15,000	
		535,000
Depreciation Expense	10,000	
Other Operating Expenses	260,000	
Total Operating Expenses		270,000
Income from Operations		265,000

Interest Expense	12,000	
Profit Before Tax		253,000
Income Tax Expense		95,000
Net Income		158,000

Additional Information

1. Out of the total sales revenue, goods worth Kes 18,000 were sold on credit.
2. Income tax expense exceeded the actual tax paid during the year by Kes 1,500.
3. Actual cash paid to suppliers for merchandise amounted to Kes 972,000.
4. At the end of the year, Kes 3,500 of operating expenses remained unpaid (accrued).
5. Equipment that originally cost Kes 50,000 was sold for Kes 65,000 cash.
6. New equipment was purchased during the year for Kes 40,000 cash.
7. A warehouse building was acquired for Kes 85,000 cash.
8. The company issued ordinary shares and received Kes 70,000 cash.
9. Long-term notes payable amounting to Kes 55,000 were redeemed during the year.

Required: Prepare a Statement of Cash Flows using the Direct Method for the year ended 31 December 2025 (10 marks)

QUESTION THREE – 10 MARKS

The following information was extracted from the books of accounts of Zena Ltd for period that ended September 30, 2025

Statement of comprehensive Income as at September 30 2025

	Year 2024	Year 2023
	USD	USD
Sales	380,400	350,000
Less returns in	1,540	0
	378,860	350,000
Less COGS		
Opening Stock	41,600	40,000
Add Purchases	188,430	176,000
Less returns out	3,410	2,000
	185,020	214,000
Carriage inwards	3,700	0
	230,320	214,000
Less Closing Stock	44,780	36,000
Gross Profit	193,320	172,000
Less Expenses		
Salaries and Wages	61,400	72,000
Warehouse Rent	3,700	3,700
Carriage Out	2,100	0

Insurance	1,356	1,560
Motor Expenses	1,910	2,400
Office Expenses	412	200
Lighting and Heating	894	540
General Expenses	245	200
	72,017	80,600
Net Profit	121,303	91,400

Required:
a. Conduct a horizontal Analysis for the two periods indicated her above (4 Marks)
b. Conduct a Vertical Analysis for the two periods indicated her above (4 Marks)
C. Analyse the results obtained in i & ii here above and advise the management (2 Marks)

SECTION B - ANSWER TWO QUESTIONS OUT OF THE THREE PROVIDED

QUESTION FOUR - 10 MARKS

The following information was provided by GILLS Ltd for the financial period that ended April 30, 2025

Particulars		Amount(KES 000)
Share Capital :Ordinary Shares of KES 1 each		300,000
Long term loan		40,000
Building at Cost		330,000
Motor Vehicle at Cost		74,000
Fixtures at Cost		9,200
Retained Earnings		32,000
Long term Assets Replacement reserve		30,000
Inventory		21,400
Accounts Receivable		10,300
General Reserve		50,000
Accounts Payable		13,700
Rates of Depreciation:	Building	12%
	Motor vehicle	25%
	Fixtures	12.5%
Bank Account		??

Required:

a. Calculate the Net book values of the non-current assets disclosed in the statement
- Show all your workings (3 marks)

b. Develop a statement of financial position for this business for the financial period that ended April 30, 2025 (5 Marks)

c. Ascertain the bank balance as at April 30 2025 (2 Marks)

QUESTION FIVE - 10 MARKS

Financial statements are important reports that shows the company's activities and ultimate financial position at a given period.

a. Identify and briefly explain the five financial statements that are commonly prepared to inform the business within a given accounting period. (5marks)

b. As the Finance manager of a growing firm, use practical example to show how the firm would benefit from the disclosures of each of the statements discussed in (a) here above (5 marks)

QUESTION SIX - (10 MARKS)

a. Describe Four basic functions of the The International Accounting Standards Board. (5 Marks)

b. International Accounting Standard 1 (IAS 1) establishes the framework and minimum disclosures required for the presentation of financial statements. Identify and briefly explain Three disclosure requirements under this standards (5marks)

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