PAN AFRICA CHRISTIAN UNIVERSITY

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

CAMPUS: ONLINE

DEPARTMENT: BUSINESS

COURSE TITLE: FINANCIAL ACCOUNTING

MBA503

EXAM DATE: AUGUST 2025

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 Four questions out of the six provided
- 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

QUESTION ONE - 10 MARKS

The following trial balance was obtained from the books of Crown Ltd, for the year ending 31 December 2024.

	Debit ($)	Credit ($)
Sales		400,000
Purchases	350,000	
Sales returns	5,000	
Purchases returns		6,200
Opening inventory at 1 January 2024	100,000	
Allowance for doubtful debts		800
Wages and salaries	30,000	
Rates	6,000	
Telephone	1,000	
Shop fittings at cost	40,000	
Van at cost	30,000	
Accounts receivable and accounts payable	9,800	7,000
Bad debts	200	
Capital		179,000
Bank balance	3,000	
Drawings	18,000	
Total	593,000	593,000

Additional notes:

i. Closing inventory on 31 December 2024 was $120,000.
ii. Accrued wages $5,000.
iii. Rates prepaid $500.
iv. The allowance for doubtful debts to be increased to 10 per cent of accounts receivable.
v. Telephone account outstanding $220.
vi. Depreciate shop fittings at 10 per cent per annum, and van at 20 per cent per annum, on cost.

Required:

Prepare a statement of comprehensive income for the year ending 31 December 2024 (10 Marks)

QUESTION TWO - 10 MARKS

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

Share Capital :Ordinary Shares of KES 1 each		200,000
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
Depreciation to Date:	Building	40,000
	Motor vehicle	41,000
		5,100
Bank Account		??

Ascertain the bank balance as at April 30 2025

QUESTION THREE -10 MARKS

Financial statements are important reports that shows the company's activities and ultimate financial position at a given period. Identify and explain the importance of the Five financial statements to the business users. Use practical example to show how the users would benefit from the disclosures in these statements

QUESTION FOUR – 10 MARKS
The following information was extracted from the books of accounts of Zena Ltd for period that ended September 30, 2024

Statement of comprehensive Income as at September 30 2024

	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 horizontal Analysis for the two periods indicated her above (4 Marks)
Analyse the results obtained in i & ii here above and advise the management (2 Marks)

QUESTION FIVE - 10 Marks

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A trial balance is an important statement that provides a listing of the general ledger balances and may be used to test the accuracy of the balances provided in the general ledger accounts.
a. Identify and explain at least four errors that **May Be exposed** by a trial balance (5 markS)

b. Identify and explain Four errors that **May Not be exposed** by a trial balance. Give practical examples to support each of the errors identified. (5 marks)

QUESTION SIX - 10 MARKS

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

b. The International Accounting Standard (IAS) 7 discloses the preparation and application of the Statement of Cash Flows. Explain the disclosure relating to the statement of cash flow as prescribed in this standard. (5 Marks)