

DIPLOMA IN INSURANCE

Unit Name: Financial Accounting

Unit Code: DIP 106

SAMPLE QUESTION

ABC Insurance company has set up a new branch office in Sunline town and you have been recruited as an office clerk. During the month of January 2023, the following transactions took place in the branch:

January 1 The branch deposited Ksh 100,000 into business bank account.

January 5 The branch withdrew Kshs. 50,000 from the bank for office use.

January 10 The branch purchased furniture worth Kshs. 20,000 from Torr furnitures on credit

January 15 The branch sold motor insurance product worth Kshs 60,000 to Shah traders on credit.

January 20 Shah traders settled their account after being allowed 5% cash discount.

Using the above information;

- a. Identify four relevant accounting principles you should consider when recording the above business transactions. (4 Marks)
- b. Prepare relevant journal entries (3 Marks)
- c. Prepare relevant ledger accounts (4 marks)
- d. Extract a trial balance (3 Marks)
- e. Prepare a cash book (6 Marks)