LAIKIPIA UNIVERSITY COLLEGE

BCOM 212 ASSIGNMENT 1

1. On october 1, 2006, Plateau LTD advertised the floatation of 3,000,000 ordinary shares of Ksh. 10 each. The terms of payment were as follows.

* Ksh. 3 per share application fee.
* Ksh. 5 per share allotment fee (Including the premium).
* Ksh. 2 per share on first call.
* Ksh. 2 per share on second and final call.

All the cash was recieved except for Ms Patel (who applied and was alloted 10,000 shares) who did not pay for the first and second call. Consequently, the company BoD passed a resolution to forfeit her shares. Plateau LTD reissued the shares forfeited by Ms Patel at a discount of Ksh. 2 per share.

**REQUIRED:**

1. Journal entries in the books of Plateau LTD to record the above transactions. (10 mks)
2. Ledger accounts in the books of Plateau LTD to record the above transactions (10 mks)
3. An important requirement of the IASB’s Framework for the Preparation and Presentation of Financial Statements (Framework) is that in order to be reliable, an entity’s financial statements should represent faithfully the transactions and events that it has undertaken and observe consistency in the presentation of financial statements.

**REQUIRED:**

List FIVE components that comprise a complete set of financial statements (5 marks).

Explain what is meant by faithful representation and how it enhances reliability. (5 marks)

Discuss what is meant by consistency of presentation, and conditions under which the classification and representation of items in financial statements may be changed. (5 marks).