

IN THE BOOKS OF AKEREDOLU PLC

YEAR	Lessee output	Sublease output	Combined output	Actual royalty	Minimum royalty	S'working	S'working recouped	S'working lapsed	Amount
2001	720	100	820	1640	2000	360	0	0	2000
2002	800	140	940	1880	2000	120	0	360	2000
2003	1200	300	1500	3000	2000	0	120	0	2880
2004	600	320	920	1840	2000	160	0	0	2000
2005	900	400	1300	2600	2000	0	160	0	2440

SUBLEASE CONTRACT

YEAR	Output	Actual royalty	Minimum royalty	S'working	SW recouped	Sw lapsed	Amount
2001	100	200	600		0	0	600
2002	140	280	600	400	0	0	600
2003	300	600	600	320	0	0	600
2004	320	640	600	0	40	0	600
2005	400	800	600	0	0	480	600

LESSOR ACCOUNT

₤	₤	
31/12/2001 BANK	2000	1440
	31/12/2001 ROYALTY PAYABLE	1440
	31/12/2001 ROYALTY RECEIVABLE	200
	31/12/2001 SHORT WORKING RECEIVABLE	360
	<u>2000</u>	<u>2000</u>
31/12/2002 BANK	2000	1600
	31/12/2002 ROYALTY PAYABLE	1600
	31/12/2002 ROYALTY RECEIVABLE	280
	31/12/2002 SHORT WORKING RECEIVABLE	120
	<u>2000</u>	<u>2000</u>
31/12/2003 SHORT WORKING RECEIVABLES	120	2400
	31/12/2003 ROYALTY PAYABLE	2400
31/12/2003 BANK	2880	600
	31/12/2003 ROYALTY RECEIVABLE	600
	<u>3000</u>	<u>3000</u>
31/12/2004 BANK	2000	1200
	31/12/2004 ROYALTY PAYABLE	1200
	31/12/2004 ROYALTY RECEIVABLE	640
	31/12/2004 SHORT WORKING RECEIVABLE	160
	<u>2000</u>	<u>2000</u>
31/12/2005 SHORT WORKING RECEIVABLE	160	1800
	31/12/2005 ROYALTY PAYABLE	1800
31/12/2005 BANK	2440	800
	31/12/2005 ROYALTY RECEIVABLE	800
	<u>2600</u>	<u>2600</u>

ROYALTY PAYABLE ACCOUNT

₤	₤	
31/12/01 LESSOR	<u>1440</u>	31/12/01 STATEMENT OF P/L <u>1440</u>
31/12/02 LESSOR	<u>1600</u>	31/12/02 STATEMENT OF P/L <u>1600</u>
31/12/03 LESSOR	<u>2400</u>	31/12/03 STATEMENT OF P/L <u>2400</u>
31/12/04 LESSOR	<u>1200</u>	31/12/04 STATEMENT OF P/L <u>1200</u>
31/12/05 LESSOR	<u>1800</u>	31/12/05 STATEMENT OF P/L <u>1800</u>

ROYALTY RECEIVABLE ACCOUNT

₺	₺	
31/12/01 LESSOR	200 31/12/01 SUB LESSEE	200
	<u>200</u>	<u>200</u>
31/12/02 LESSOR	280 31/12/02 SUB LESSEE	280
	<u>280</u>	<u>280</u>
31/12/03 LESSOR	600 31/12/03 SUB LESSEE	280
	<u>600</u>	<u>600</u>
31/12/04 LESSOR	640 31/12/04 SUB LESSEE	640
	<u>640</u>	<u>640</u>
31/12/05 LESSOR	800 31/12/05 SUB LESSEE	800
	800	<u>800</u>

SHORT WORKING RECOVERABLE ACCOUNT

₺	₺	
31/12/01 LESSOR	360 31/12/01 BAL c/d	360
1/1/02 BAL b/d	360 31/12/02 LESSOR	360
31/12/02 LESSOR	120 31/12/02 BAL c/d	120
	<u>480</u>	<u>480</u>
1/1/03 BAL B/D	120 31/12/03 LESSOR	120
	<u>120</u>	<u>120</u>
31/12/04 LESSOR	160 31/12/04 BAL c/d	160
1/1/05 BAL B/D	160 31/12/05 LESSOR	160
	<u>160</u>	<u>160</u>

SUB LESSEE ACCOUNT

₺		₺		
31/12/01 ROYALTY RECEIVABLE	200	31/12/01 BANK		600
31/12/01 SHORT WORKING ALLOWABLE	400			
		<u>600</u>		<u>600</u>
31/12/02 ROYALTY RECEIVABLE	280			
31/12/02 SHORT WORKING ALLOWABLE	320	31/12/02 BANK		600
		<u>600</u>		<u>600</u>
31/12/03 ROYALTY RECEIVABLE	600	31/12/03 BANK		600
31/12/04 ROYALTY RECEIVABLE	640	31/12/04 SHORTWORKING RECEIVABLE	40	
		31/12/04 BANK		600
		<u>640</u>		<u>640</u>
31/12/05 ROYALTY RECEIVABLE	800	31/12/05 BANK		600
		31/12/05 SHORTWORKING ALLOWABLE	200	
		<u>800</u>		<u>800</u>

SHORTWORKINGS ALLOWABLE ACCOUNT

₺		₺		
31/12/01 BAL c/d	400	31/12/01 sublessee		400
		1/1/02 BAL b/d		400
31/12/02 BAL c/d	720	31/12/02 LESSOR		320
		<u>720</u>		<u>720</u>
31/12/03 bal c/d	720	1/1/03 BAL b/d		720
31/12/04 sublessee	40	1/1/04 BAL b/d		720
31/12/04 BAL c/d	680			
		<u>720</u>		<u>720</u>
31/12/05 sublessee	200	1/1/05 BAL b/d		680
31/12/05 statement of P/L	480			
		<u>680</u>		<u>680</u>

QUESTION 6

Short working recoverable are shown as assets while short workings allowable are shown as liabilities in the statement of financial position. They follow the prudence concept of accounting which requires that liabilities and expenses should be recorded as soon as they are incurred. The prudence concept also states that provision should be made for all losses and due care should be exercised in recognizing income. Short workings are not recognized until they are lapsed, and the tenant on his part does not record the loss until it has lapsed. In that the landlord does not record the shortworkings as profit until it has lapsed, and the tenant does not realize loss until it has lapsed.

of financial position because:

as they occur, but revenue when realized.

izing profit. In this case, the landlord exercises due care

up until he is to recover it. it also follows the realization concept

until he is unable to recover it.

