**ADEOYE ANTHONIA OLUWADAMILOLA**

**18/SMS03/002**

**BUSINESS ADMINISTRATION**

**ACC204**

In the books of the Lessor- Akeredolu Plc

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Year | Output (x2) | Actual Royalty | Minimum Royalty | Shortworkings | Shortworkings Recouped | Shortworkings Lapsed | Amount Received |
| 2001 | 720 | 1440 | 2000 | 560 | ------------ | ----------- | 2000 |
| 2002 | 800 | 1600 | 2000 | 400 | ------------ | 560 | 2000 |
| 2003 | 1200 | 2400 | 2000 | ------------ | 400 | ----------- | 2000 |
| 2004 | 600 | 1200 | 2000 | 800 | ----------- | ---------- | 2000 |
| 2005 | 900 | 1800 | 2000 | 200 | ----------- | 800 | 2000 |

Lessee’s A/c

|  |  |
| --- | --- |
| 31/12/2001 Royalty Receivable 1440  31/12/2001 Shortworkings Allowable 560  2000 | 31/12/2001 Bank 2000  2000 |
| 31/12/2002 Royalty Receivable 1600  31/12/2002 Shortworkings Allowable 400  2000 | 31/12/2002 Bank 2000  2000 |
| 31/12/2003 Royalty Receivable 2400  2400 | 31/12/2003 Shortworkings Allowable 400  31/12/2003 Bank 2000  2400 |
| 31/12/2004 Royalty Receivable 1200  31/12/2004 Shortworkings Allowable 800  2000 | 31/12/2004 Bank 2000  2000 |
| 31/12/2005 Royalty Receiveable 1800  31/12/2005 Shortworkings Allowable 200  2000 | 31/12/2005 Bank 2000  2000 |

Royalty Receivable A/c

|  |  |
| --- | --- |
| 31/12/2001 Statement of Profit or Loss 1440 31/12/2002 Statement of Profit or Loss 1660 31/12/2003 Statement of Profit or Loss 2400 31/12/2004 Statement of Profit or Loss 1200 31/12/2005 Statement of Profit or Loss 1800 | 31/12/2001 Lessee’s A/c 1440 31/12/2002 Lessee’s A/c 1600 31/12/2003 Lessee’s A/c 2400 31/12/2004 Lessee’s A/c 1200 31/12/2005 Lessee’s A/c |
|  |  |

Shortworkings Allowable

|  |  |
| --- | --- |
| 31/12/2001 Bal b/d 560 | 31/12/2001 Lessee’s A/c 560 |
| 31/12/2002 Statement of profit or loss 560 31/12/2002 Bal b/d 400  960 | 1/1/2002 Bal b/f 560 560 31/12/2002 Lessee’s A/c 400  960 |
| 31/12/2003 Lessee’s A/c 400 | 1/1/2003 Bal b/f 400 |
| 31/12/2004 Bal b/d 800 | 31/12/2004 Lessee’s A/c 800 |
| 31/12/2005 Statement of profit or loss 800  31/12/2005 Bal b/d 200  1000 | 01/01/2005 Bal b/f 800  31/12/2005 Lessee’s A/c 200  1000 |

Shortworkings allowable and shortworking recoupable are shown as liability and assets

respectively in the statement of financial position thus, follows the prudence concept which

states that provisions should be made for all losses and due case should be exercised in

recognizing profit. In this case the landlord exercises due case not to recognize the

shortworkings yet not untile they are lapsed and the tenant on his part does not record the loss

up until he is unable to recover it . It also follows the realization concept in that the landlord

does not record the shortworking as profit until it lapsed and the tenant does not realise his loss until he is able to recover it.