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IN THE BOOKS OF THE LESSOR(YERIMA'S BOOKS)

Year	Actual unit(tonnes)	Actual royalty(N)	Minimum royalty (N)	Shortworkings(N)	Shortworkings recouped(N)	Shortworkings Lapsed(N)	Amount received(N)
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

N		Royalty receivable		N	
31/12/01. Statement of profit/loss.	1440	31/12/01. Lessee.		1400	
31/12/02. Statement of profit/loss.	1600	31/12/02. Lessee.		1600	
31/12/03. Statement of profit/loss.	2400	31/12/03. Lessee.		2400	
31/12/04. Statement of profit/loss.	1200	31/12/04. Lessee.		1200	
		31/12/05. Lessee.		1800	

Date.		Lessee account (Akeredolu PLC A/C)		N	
31/12/01. Royalty.	1440	31/12/01. Bank.		2000	
31/12/01. Shortworkings.	560				
	2000				2000
31/12/02. Royalty.	1600	31/12/02. Bank.		2000	
31/12/02. Shortworkings.	400				
	2000				2000
31/12/03. Royalty.	2400	31/12/03. Bank.		2000	
		31/12/03. Shortworkings.		400	
	2400				2400
31/12/04. Royalty.	1200	31/12/04. Bank.		2000	
31/12/04. Shortworkings.	800				
	2000				2000
31/12/05. Royalty.	1800	31/12/05. Bank.		2000	
31/12/05. Shortworkings.	200				
	2000				2000

Shortworkings(Allowable) account		N		N	
31/12/01. Bal c/d.	560	31/12/01. Lessee.		560	
31/12/02. Statement of profit/loss.	560				
31/12/02. Bal c/d.	400	31/12/02. Lessee.		400	
	960				960
31/12/03. Lessee.	400	1/1/03. Bal b/d.		400	
31/12/04. Bal c/d.	800	31/12/04. Lessee.		800	
31/12/05. Statement of profit/loss	800	1/1/05. Bal b/d.		800	
31/12/05. Bal c/d.	200	31/12/05. Lessee.		200	
	1000				1000
		1/1/06. Bal b/d.		200	

Question 6(answer)

The concept that shortworkings recoverable and shortworkings allowable tend to follow is the Prudence concept. This concept states that revenue and profits are included in the statement of financial position only when they are realized or there is a reasonable of realizing them but Liabilities are included when there is a reasonable possibility of incurring them. Shortworkings Recoverable can be a loss or can be realized by the lessee only when the royalty is in excess of the minimum rent which is called the right of recoupment and it can be decided for a fixed period or floating period. When the right of recoupment is fixed for the certain starting years from the date of royalty agreement, it is said to fixed or restricted. On the other hand, when the lessee is eligible to recoup the shortworkings in the next 2 or 3 years from the year of it's commencement, it is said to be floating. Shortworkings will be shown on the asset side of the statement of financial position up to allowable year of recouping after that it will be transferred to p or l account (after expiry of allowable period) which makes shortworkings allowable a liability.