

Name: Ebenezer Omasirichi Destiny

Matric no: 18/sms02/018

Department: Accounting

QUESTION TWO

YEAR	ACTUAL	UNITS ACTUAL	ROYALTY	MINIMUM ROYALTY	SHORTWORKINGS	SHORTWORKINGS RECOVERABLE	SHORTWORKINGS LAPSED	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				2000
2005	900		1800	2000	800		800	2000

Royal receivable Account

31/12/01	Statement of profit/loss	<u>1440</u>	31/12/01	Lessee	<u>14</u>
31/12/02	Statement of profit/loss	<u>1600</u>	31/12/02	Lessee	<u>16</u>
31/12/03	Statement of profit/loss	<u>2400</u>	31/12/03	Lessee	<u>24</u>
31/12/04	Statement of profit/loss	<u>1200</u>	31/12/04	Lessee	<u>24</u>
31/12/05	Statement of profit/loss	<u>1800</u>	31/12/05	Lessee	<u>18</u>

Lessee Account

31/12/01	Royalty	14	31/12/01	Bank	20
31/12/01	Shortworkings	560			
		<u>2000</u>			<u>2000</u>
31/12/02	Royalty	16	31/12/02	Bank	20
	Shortworkings	4			
		<u>2000</u>			<u>2000</u>
31/12/03	Royalty	24	31/12/03	Bank	20
				Shortworkings	400
		<u>2400</u>			<u>2400</u>
31/12/04	Royalty	12	31/12/04	Bank	20
	Shortworkings	8			
		<u>2000</u>			<u>2000</u>
31/12/05	Royalty	18	31/12/05	Bank	20
	Shortworkings	2			
		<u>2000</u>			<u>2000</u>

Shortworkings (Allowable) Account

31/12/01	Bal c/d	<u>5</u>	31/12/01	Lessee	<u>5</u>
31/12/02	Statement of profit/loss	560	1/1/02	Bal b/d	5
31/12/02	Bal c/d		4/1/02	Lessee	4
		<u>960</u>			<u>960</u>
31/12/03	Lessee	4	4/1/03	Lessee	4
31/12/04	Bal c/d	<u>8</u>	31/12/04	Lessee	<u>8</u>
31/12/05	Bal c/d	2	1/1/05	Bal b/d	8
	Statement of profit/loss	800	31/12/05	Lessee	2
		<u>1000</u>			<u>1000</u>

QUESTION SIX.

Shortworking is basically the excess of minimum rent over the royalty account shortworkings allowable is shown as liability and shortworkings recoverable shown as asset in the statement of financial position, it is in line with the prudence concept, the landlord exercises due care not to recognise the shortworkings yet not until 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 realisation concept, whereby landlords do not record the shortworkings as profit until it lapses and the tenant does not make his loss until he is unable to recover it.