Minimum Royalty for the head lesse = Minimum output \* Amount per 1000\*2 =2000 18/sms02/033 Accounting dept Nwabuko clinton year Lesse opt sublesse combined opt actual royalty s\working s/working reoccupied s\working lapses amount

1. 720 100 820 1640 360 0 0 2000
2. 800 140 940 1880 120 0 360 2000
3. 1200 300 1500 3000 0 120 0 2880
4. 600 320 920 1840 160 0 0 2000
5. 900 400 1300 2600 0 160 0 2440

SUBLESSE AGREEMENT

Year output actual royalty minimum royalty s/working s/working reoccupied s/working lapsed amount

1. 100 200 600 400 0 0 600
2. 140 280 600 320 0 0 600
3. 300 600 600 0 0 0 600
4. 320 640 600 0 40 0 600
5. 400 800 600 0 200 480 600

PROFITN EARNED BY LESSEE

1. 100(2-2) 0
2. 140(2-2) 0
3. 300(2-2) 0
4. 320(2-2) 0
5. 400(2-2) 0

N LESSOR a/c N

31\12\01 bank 2000 31/12/01 royalty payable 1440

31/12/01 royalty receivable 200

31/12/01 s/working recoverable 360

2000 2000

31/12/02 bank 2000 31/12/02 royalty payable 1600

31/12/02 royalty receivable 200

31/12/02 s/working recoverable 120

2000 2000

31/12/03 S/working r 120 31/12/03 Royalty payable 2400

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 31/12/03 | bank | | 2880 31/12/03 Royalty receivable | | | 600 |
|  |  | | 3000 | | | 3000 |
| 31/12/04 | bank | | 2000 31/12/04 royalty payable | | | 1200 |
|  |  | | 31/12/04 royaltyreceivable | | | 640 |
|  |  | | 31/12/04 s/working recoverable | | | 160 |
|  |  | | 2000 | | | 2000 |
| 31/12/05 | s/working r | | 160 31/12/05 royalty payable | | | 1800 |
| 31/12/05 | bank |  | 2440 31/12/05 royalty receivable | | | 800 |
|  |  |  | 2600 |  |  | 2600 |
|  |  | N | ROYALTY PAYABLE | N |  |  |
| 31/12/01 | lessor |  | 1440 31/12/01 stat of p or l |  | 1440 |  |
| 31/12/02 | lessor |  | 1600 31/12/02 stat of p or l |  | 1600 |  |
| 31/12/03 | lessor |  | 2400 31/12/03 stat of p or l |  | 2400 |  |
| 31/12/04 | lessor |  | 1200 31/12/04 stat of p or l |  | 1200 |  |
| 31/12/05 | lessor |  | 1800 31/12/05 stat of p or l |  | 1800 |  |
|  |  | N | ROYALTY RECEIVABLE N |  |  |  |
| 31/12/01 | LESSOR |  | 200 31/12/01 Subless | 200 |  |  |
| 31/12/02 | LESSOR |  | 280 31/12/02 Subless | 280 |  |  |
| 31/12/03 | LESSOR |  | 600 31/12/03 Subless | 600 |  |  |
| 31/12/04 | LESSOR |  | 640 31/12/04 Subless | 640 |  |  |
| 31/12/05 | LESSOR |  | 800 31/12/05 Subless  SUBLESS A/C | 800 |  |  |
| 31/12/01 Royalty receivable 200 31/12/01 bank  31/12/01 s/working allowable 400 | | | | | | 600 |
| 600 | | | | | | 600 |
| 31/12/02 royalty receivable 280 31/12/02 bank  31/12/02 s/working allowable 320 | | | | | | 600 |
| 600 | | | | | | 600 |
| 31/12/03 royalty receivable 600 31/12/03 bank | | | | | | 600 |
| 600 | | | | | | 600 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 31/12/04 royalty receivable | 640 31/12/04 s/working recoverable | | | 40 | |
|  | 31/12/04 bank | | | 600 | |
|  | 640 | | | 640 | |
| 31/12/05 royalty receivable | 800 31/12/05 s/working recoverable | | | 200 | |
|  | 31/12/05 bank | | | 600 | |
|  | 800  SHORTWORKING RECOVERABLE A/C | | | 800 | |
| 31/12/01 LESSOR a/c | 360 31/12/01 bal c/d | | | 360 | |
|  | 360 | | | 360 | |
| 1/1/2002 bal b/d | 360 31/12/02 stat of p or l | | | 360 | |
| 31/12/02 lessor a/c | 120 31/12/02 bal c/d | | | 120 | |
|  | 480 | | | 480 | |
| 1/1/2003 bal b/d | 120 31/12/03 lessor a/c | | | 1000 | |
| 31/12/03 bal c/d | 880 | | |  | |
|  | 1000 | | | 1000 | |
| 31/12/04 lessor a/c | 160 31/11/04 bbal b/d | | | 880 | |
| 31/12/04 bal c/d | 720 | | |  | |
|  | 880 | | | 880 | |
| 31/12/05 bal c/d | 1320 1/1/2005 bal b/d | | | 720 | |
|  | 31/12/05 lessor | | | 600 | |
|  | 1320  SHORTWORKING ALLOWABLE | | | 1320 | |
| 31/12/01 bal c/d | 400 31/12/01 sublesse | | | 400 | |
|  | 400 | | | 400 | |
| 31/12/02 bal c/d | 720 1/1/2002 bal b/d | | | 400 | |
|  | 31/12/02 sublesse | | | 320 | |
|  | 720 | | | 720 | |
| 31/12/03 bal c/d | 720 1/1/2003 bal b/d | | | 720 | |
|  | 720 | | | 720 | |
| 31/12/04 sublesse | 40 1/1/2004 bal b/d | | | 720 | |
| 31/12/04 bal c/d | 680 | | |  | |
|  | | 720 |  | | 720 |
| 31/12/05 sublesse | | 200 | 1/1/2005 bal b/d | | 680 |
| 31/12/05 stat of p or l | | 480 |  | |  |
|  | | 680 |  | | 680 |

# QUESTION 6

Short-working allowable and Short-working recoupable are shown as liability and assets respectively in the statement of financial position. Short-workings which are recoupable will appear in the asset side of the Balance sheet as a current asset 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 short-working 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 realization concept in that the landlord does not record the short -working as profit until it lapsed and the tenant does not realize his loss until he is unable to recover it.