

NAME:Dimkpa tochi Jane

MATRIC NUMBER:18/sms02/017

DEPARTMENT:ACCOUNTING

COURSE:ACC202

| IN THE BOOKS OF LESSEE (AKEREDOLU PLC) | | | | | | | | | |
|--|---------------|------------------|-----------------|------------------|-------------------|-------------|----------------------|--------------------|----------|
| Year | Lessee Output | Sublessee Output | Combined Output | Actual Royalty ₦ | Minimum Royalty ₦ | S/working ₦ | S/working recouped ₦ | S/working lapsed ₦ | Amount ₦ |
| 2001 | 720 | 100 | 820 | 1640 | 2000 | 360 | - | - | 2000 |
| 2002 | 800 | 140 | 940 | 1880 | 2000 | 120 | - | 360 | 2000 |
| 2003 | 1200 | 300 | 1500 | 3000 | 2000 | - | 120 | - | 2880 |
| 2004 | 600 | 320 | 920 | 1840 | 2000 | 160 | - | - | 2000 |
| 2005 | 900 | 400 | 1300 | 2600 | 2000 | - | 160 | - | 2440 |

| SUBLESSE AGREEMENT | | | | | | | |
|--------------------|--------|------------------|-------------------|-------------|----------------------|--------------------|----------|
| Year | Output | Actual Royalty ₦ | Minimum Royalty ₦ | S/working ₦ | S/working recouped ₦ | S/working lapsed ₦ | Amount ₦ |
| 2001 | 100 | 200 | 600 | 400 | - | - | 600 |
| 2002 | 140 | 280 | 600 | 320 | - | - | 600 |
| 2003 | 300 | 600 | 600 | - | - | - | 600 |
| 2004 | 320 | 640 | 600 | - | 40 | - | 600 |
| 2005 | 400 | 800 | 600 | - | 200 | 480 | 600 |

| PROFIT EARNED BY LESSEE | | | |
|-------------------------|----------|----|--|
| 2001 | 100(2-2) | ₦0 | |
| 2002 | 100(2-2) | ₦0 | |
| 2003 | 100(2-2) | ₦0 | |
| 2004 | 100(2-2) | ₦0 | |
| 2005 | 100(2-2) | ₦0 | |

| LESSOR A/C | | | |
|------------|---|--------------------|------|
| | ₦ | | ₦ |
| | | | |
| 31/12/01 | | Royalty Payable | 1440 |
| 31/12/01 | | Royalty Receivable | 200 |

| | | | | | | |
|----------|-----------------------|------|----------|---------------------|------|--|
| 31/12/01 | Bank | 2000 | 31/12/01 | Sworing Recoverable | 360 | |
| | | 2000 | | | 2000 | |
| | | | 31/12/02 | Royalty Payable | 1600 | |
| | | | 31/12/02 | Royalty Receivable | 280 | |
| 31/12/02 | Bank | 2000 | 31/12/02 | Sworing Recoverable | 120 | |
| | | 2000 | | | 2000 | |
| 31/12/03 | Sworing Recoverable | 120 | 31/12/03 | Royalty Payable | 2400 | |
| 31/12/03 | Bank | 2880 | 31/12/03 | Royalty Receivable | 600 | |
| | | 3000 | | | 3000 | |
| | | | 31/12/04 | Royalty Payable | 1200 | |
| | | | 31/12/04 | Royalty Receivable | 640 | |
| 31/12/04 | Bank | 2000 | 31/12/04 | Sworing Recoverable | 160 | |
| | | 2000 | | | 2000 | |
| 31/12/05 | s'working recoverable | 160 | 31/12/05 | Royalty Payable | 1800 | |
| 31/12/05 | Bank | 2440 | 31/12/05 | Royalty Receivable | 800 | |
| | | 2600 | | | 2600 | |

SUBLESSE A/C

| | | ₤ | | | ₤ | |
|----------|--------------------|-----|----------|---------------------|-----|--|
| 31/12/01 | Royalty Receivable | 200 | | | | |
| 31/12/01 | Sworing Allowable | 400 | 31/12/01 | Bank | 600 | |
| | | 600 | | | 600 | |
| 31/12/02 | Royalty Receivable | 280 | | | | |
| 31/12/02 | Sworing Allowable | 320 | 31/12/02 | Bank | 600 | |
| | | 600 | | | 600 | |
| 31/12/03 | Royalty Receivable | | 31/12/03 | Bank | | |
| 31/12/04 | Royalty Receivable | 600 | 31/12/04 | Sworing Recoverable | 600 | |
| | | 640 | | | 40 | |
| | | | 31/12/04 | Bank | 600 | |
| | | 640 | 31/12/05 | Sworing Recoverable | 640 | |
| 31/12/05 | Royalty Receivable | 800 | | | 200 | |
| | | | 31/12/05 | Bank | 600 | |
| | | 800 | | | 800 | |

| ROYALTY PAYABLE ₪ ₪ | | | | | |
|---------------------|--------|------|----------|----------------|------|
| 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 |

| ROYALTY RECEIVABLE | | | | | |
|--------------------|--------|-----|----------|----------|-----|
| | | ₪ | | | ₪ |
| 31/12/01 | Lessor | 200 | 31/12/01 | Sublesse | 200 |
| 31/12/02 | Lessor | 280 | 31/12/02 | Sublesse | 280 |
| 31/12/03 | Lessor | 600 | 31/12/03 | Sublesse | 600 |
| 31/12/04 | Lessor | 640 | 31/12/04 | Sublesse | 640 |
| 31/12/05 | Lessor | 800 | 31/12/05 | Sublesse | 800 |

| SHORTWORKING RECOVERABLE A/C | | | | | | | |
|------------------------------|------------|-----|-----|----------|------------|-----|-----|
| | | | ₹ | | | | ₹ |
| | | | 360 | | | | 360 |
| 31/12/01 | Lessor A/C | | | 31/12/01 | Bal c/d | | 360 |
| 1/1/2002 | Bal b/d | 360 | | 31/12/02 | stat of p | | 360 |
| 31/12/02 | Lessor A/C | 120 | | 31/12/02 | or l | | 360 |
| | | | 480 | 31/12/02 | Bal c/d | 120 | 120 |
| | | | | | | | 480 |
| 1/1/2003 | Bal b/d | | | 31/12/03 | Lessor A/C | | |
| 31/12/04 | Lessor A/C | 120 | | 31/12/04 | Balc/d | 120 | 120 |
| 1/1/2005 | Bal b/d | 160 | | 31/12/05 | Lessor | | 160 |
| | | | 160 | | | | 600 |
| 31/12/05 | Bal c/d | 440 | | | | | 600 |
| | | | 600 | | | | 600 |

| SHORTWORKING ALLOWABLE A/C | | | | | | | |
|----------------------------|-----------|-----|---|----------|----------|-----|---|
| | | | ₹ | | | | ₹ |
| 31/12/01 | Bal c/d | 400 | | 31/12/01 | Sublesse | 400 | |
| | | | | 1/1/2002 | Bal b/d | 400 | |
| 31/12/02 | Bal c/d | 720 | | 31/12/02 | Sublesse | 320 | |
| | | 720 | | | | 720 | |
| 31/12/03 | Bal c/d | 720 | | 1/1/2003 | Bal b/d | 720 | |
| 31/12/04 | Sublesse | 40 | | 1/1/2004 | Bal b/d | 720 | |
| 31/12/04 | Bal c/d | 680 | | | | | |
| | Sublesse | | | | | | |
| 31/12/05 | | 720 | | | | 720 | |
| | | 200 | | 1/1/2005 | Bal b/d | 680 | |
| 31/12/05 | Stat.of p | 480 | | | | | |
| | or l | | | | | | |
| | | 680 | | | | 680 | |

QUESTION 6

The shortworkings recoverable and shortworking allowable tends to follow the prudence concept. The concept says revenue and profits are included in the statement of financial position only when they are realized or there is a reasonable certainty 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 be 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 its 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.