

Minimum Royalty for the head lesse = Minimum output * Amount per 1000*2 =2000

year	Lesse opt	sublesse	combined opt	actual royalty	s\working	s\working r
2001	720	100	820	1640	360	0
2002	800	140	940	1880	120	0
2003	1200	300	1500	3000	0	120
2004	600	320	920	1840	160	0
2005	900	400	1300	2600	0	160

SUBLESSE AGREEMENT

Year	output	actual royalty	minimum royalty	s\working	s\working reoccupied
2001	100	200	600	400	0
2002	140	280	600	320	0
2003	300	600	600	0	0
2004	320	640	600	0	40
2005	400	800	600	0	200

PROFITN EARNED BY LESSEE

2001	100(2-2)	0
2002	140(2-2)	0
2003	300(2-2)	0
2004	320(2-2)	0
2005	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 i	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 i	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 800

SUBLESS A/C			
31/12/01	Royalty receivable	200	31/12/01 bank
31/12/01	s/working allowable	400	
		600	
31/12/02	royalty receivable	280	31/12/02 bank
31/12/02	s/working allowable	320	
		600	
31/12/03	royalty receivable	600	31/12/03 bank
		600	
31/12/04	royalty receivable	640	31/12/04 s/working recoverable
			31/12/04 bank
		640	
31/12/05	royalty receivable	800	31/12/05 s/working recoverable
			31/12/05 bank
		800	

SHORTWORKING RECOVERABLE A/C			
31/12/01	LESSOR a/c	360	31/12/01 bal c/d
		360	
#####	bal b/d	360	31/12/02 stat of p or l
31/12/02	lessor a/c	120	31/12/02 bal c/d
		480	
#####	bal b/d	120	31/12/03 lessor a/c
31/12/03	bal c/d	880	
		1000	
31/12/04	lessor a/c	160	31/11/04 b bal b/d
31/12/04	bal c/d	720	
		880	
31/12/05	bal c/d	1320	##### bal b/d
			31/12/05 lessor
		1320	

SHORTWORKING ALLOWABLE			
31/12/01	bal c/d	400	31/12/01 sublesse
		400	
31/12/02	bal c/d	720	##### bal b/d
			31/12/02 sublesse

	720	
31/12/03 bal c/d	720	##### bal b/d
	720	
31/12/04 sublesse	40	##### bal b/d
31/12/04 bal c/d	680	
	720	
31/12/05 sublesse	200	##### bal b/d
31/12/05 stat of p or l	480	
	680	

QUESTION 6

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 care should be exercised in recognizing profit. In this case the landlord exercises due care not to recognize the shortworkings yet not until they are lapsed and the tenant on his part does not record it 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 lapses and the tenant does not realise loss until he is unable to recover it.

	19/sms02/053	Accounting dept	Jesugalola longe
reoccupied	s\working lapses	amount	
	0	2000	
	360	2000	
	0	2880	
	0	2000	
	0	2440	

s/working lapsed	amount
0	600
0	600
0	600
0	600
480	600

600

600

600

600

600

600

40

600

640

200

600

800

360

360

360

120

480

1000

1000

880

880

720

600

1320

400

400

400

320

720

720

720

720

720

680

680

rich

the loss

lord

his