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Course : ACC 202

### ASSIGNMENT

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In the Books of Yerima ( Lessor Books)							
Year	Actual Units in tons	Actual Royalty	Minimum Royalty	Shortworkings	Shortworkings Recouped	Shortworkings Lapsed	Amount Received ₦
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

DR			Royalty Receivable a/c		CR	
		₦			₦	
31/12/01	Statement of Profit or Loss	<u>1440</u>	31/12/01	Lessee a/c	<u>1440</u>	
31/12/02	Statement of Profit or Loss	<u>1600</u>	31/12/02	Lessee a/c	<u>1600</u>	
31/12/03	Statement of Profit or Loss	<u>2400</u>	31/12/03	Lessee a/c	<u>2400</u>	
31/12/04	Statement of Profit or Loss	<u>1200</u>	31/12/04	Lessee a/c	<u>1200</u>	
31/12/05	Statement of Profit or Loss	<u>1800</u>	31/12/05	Lessee a/c	<u>1800</u>	

DR			Lessee a/c		CR	
31/12/01	Royalty a/c	1440	31/12/01	Bank	<u>2000</u>	
31/12/01	Shortworkings	<u>560</u>				
		<u>2000</u>				<u>2000</u>
31/12/02	Royalty a/c	1600	31/12/03	Bank	<u>2000</u>	

31/12/02	Shortworkings	<u>400</u>			
		<u>2000</u>			<u>2000</u>
31/12/03	Royalty a/c	<u>2400</u>	31/12/03	Bank	2000
		<u>2400</u>	31/12/03	Shortworkings	<u>400</u>
					<u>2400</u>
31/12/04	Royalty a/c	1200	31/12/04	Bank	<u>2000</u>
31/12/04	Shortworkings	<u>800</u>			
		<u>2000</u>			<u>2000</u>
31/12/05	Royalty a/c	1800	31/12/05	Bank	<u>2000</u>
31/12/05	Shortworkings	<u>200</u>			
		<u>2000</u>			<u>2000</u>

DR		Shortworkings a/c		CR
31/12/01	Bal c/d	<u>560</u>	31/12/01	Lessee a/c <u>560</u>
31/12/02	Statement of Profit or Loss	560	01/01/02	Bal b/d 560
31/12/02	Bal c/d	<u>400</u>	31/12/02	Lessee a/c <u>400</u>
		<u>960</u>		<u>960</u>
31/12/03	Lessee a/c	<u>400</u>	01/01/03	Bal b/d <u>400</u>
31/12/04	Bal c/d	<u>800</u>	31/12/04	Lessee a/c <u>800</u>
31/12/05	Statement of Profit or Loss	800	01/01/05	Bal b/d 800
31/12/05	Bal c/d	<u>200</u>	31/12/05	Lessee a/c <u>200</u>
		<u>1000</u>		<u>1000</u>
			31/12/06	Bal b/d 200

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Short Workings allowable and Short Workings recoupable are shown as liability and asset respectively in the statement of financial position. This 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 short workings yet, not until they are lapsed and the tenant on his path 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 shortworkings as profit until it is lapsed and the tenant does not realise his loss until he is unable to recover it. Short Workings allowable is a liability because it is assumed it will be paid in the future by the Lessor while Short Workings Recoupable is an asset because it is assumed that the amount will be recouped using the realization concept.