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QUESTION TWO

YEAR	ACTUAL	UNITACTUAL ROYAL	MINIMUM ROYAL	T'SHORTHWORKINGS	SSHORTHWORKINGS RECOUPE	ISHORTHWORKINGS LAPSE	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	Lesse	<u>14</u>
31/12/02 Statement of profit/loss	<u>1600</u>	31/12/02	Lesse	<u>16</u>
31/12/03 Statement of profit/loss	<u>2400</u>	31/12/03	Lesse	<u>24</u>
31/12/04 Statement of profit/loss	<u>1200</u>	31/12/04	Lesse	<u>24</u>
31/12/05 Statement of profit/loss	<u>1800</u>	31/12/05	Lesse	<u>18</u>

Lesse 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	Lesse	<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	4/1/02	Lesse	4
		<u>960</u>			<u>960</u>
31/12/03	Lesse	4	4/1/03	Lesse	4
31/12/04	Bal c/d	<u>8</u>	31/12/04	Lesse	<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	Lesse	2
		<u>1000</u>			<u>1000</u>

QUESTION SIX

shortworkings allowable and shortworkings recoverable are shown as liability and asset respectively in the statement of financial position, it follows the prudence concept, in this case the landlord exercises due case not to recognise the shortworkings 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 follows the realisation concept, landlords does not record the shortworkings as profit until it lapsed and the tenant does not make his loss until he is unable to recover it.