

LUCAS COMFORT

18/SMS01/019

ECONOMICS

SOCIAL AND MANAGEMENT SCIENCE

ACC 202 ASSIGNMENT

QUESTION 5

A.

				In the books of the lessee (akeredolu plc)					
year	lessee output	sublease output	combined output	actual royalty	minimum royalty	short working	short working recouped	short working lapsed	amount paid
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

				Sublease Agreement			
year	output	actual royalty	minimum royalty	short working	short working recouped	short working lapsed	amount received
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

Royalty payable

31/12/01	lessor	N <u>1440</u>	31/12/01	statement of P or L	N <u>1440</u>
31/12/02	lessor	<u>1600</u>	31/12/02	statement of P or L	<u>1600</u>
31/12/03	lessor	<u>2400</u>	31/12/03	statement of P or L	<u>2400</u>
31/12/04	lessor	<u>1200</u>	31/12/04	statement of P or L	<u>1200</u>
31/12/05	lessor	<u>1800</u>	31/12/05	statement of P or L	<u>1800</u>

Lessor a/c

31/12/01	bank	N 2000	31/12/01	royalty payable	N 1440
			31/12/01	royalty receivable	200
			31/12/01	short working receivable	<u>360</u>
		<u>2000</u>			<u>2000</u>
31/12/02	bank	2000	31/12/02	royalty payable	1600
			31/12/02	royalty receivable	280
			31/12/02	short working receivable	<u>120</u>
		<u>2000</u>			<u>2000</u>
31/12/03	short working receivable	120	31/12/03	royalty payable	2400
31/12/03	bank	2880	31/12/03	royalty receivable	<u>600</u>
		<u>3000</u>			<u>3000</u>
31/12/04	bank	2000	31/12/04	royalty payable	1200
			31/12/04	royalty receivable	640
			31/12/04	short working receivable	<u>160</u>
		<u>2000</u>			<u>2000</u>
31/12/05	short working receivable	160	31/12/05	royalty payable	1800
31/12/05	bank	2440	31/12/05	royalty receivable	<u>800</u>
		<u>2600</u>			<u>2600</u>

Short working recoverable a/c

01/01/01	lessee	N <u>360</u>	31/12/01	balance c/d	N <u>360</u>
01/01/02	balance b/d	360	31/12/02	statement of P or L	360
31/12/02	lessor	<u>120</u>	31/12/02	balance c/d	<u>120</u>
		<u>480</u>			<u>480</u>
01/01/03	balance b/d	<u>120</u>	31/12/03	lessor	<u>120</u>
31/12/04	lessor	<u>160</u>	31/12/04	balance c/d	<u>160</u>
01/01/05	balance b/d	<u>160</u>	31/12/05	lessor	<u>160</u>

Short working allowable a/c

31/12/01	balance c/d	N <u>400</u>	31/12/01	sub lessee	N <u>400</u>
31/12/02	balance c/d	720	01/01/02	balance b/d	400
		<u>720</u>	31/12/02	sub lessee	<u>320</u>
31/12/03	balance c/d	<u>720</u>			<u>720</u>
31/12/04	sublessee	40	01/01/03	balance b/d	<u>720</u>
31/12/04	balance c/d	<u>680</u>	01/01/04	balance b/d	720
		<u>720</u>			<u>720</u>
31/12/05	sub lessee	200	01/01/05	balance b/d	680
31/12/05	statement of P or L	<u>480</u>			<u>680</u>
		<u>680</u>			<u>680</u>

Sub lessee a/c

31/12/01	royalty receivable	N 200	31/12/01	bank	N 600
31/12/01	short working allowable	<u>400</u>			
		<u>600</u>			<u>600</u>
31/12/02	royalty receivable	280	31/12/02	bank	600
31/12/02	short working allowable	<u>320</u>			
		<u>600</u>			<u>600</u>
31/12/03	royalty receivable	<u>600</u>	31/12/03	bank	<u>600</u>
31/12/04	royalty receivable	640	31/12/04	short working allowable	40
		<u>640</u>	31/12/04	bank	<u>600</u>
					<u>640</u>
31/12/05	royalty receivable	800	31/12/05	short working allowable	200
		<u>800</u>	31/12/05	bank	<u>600</u>
					<u>800</u>

Royalty receivable a/c

31/12/01	lessor	N <u>200</u>	31/12/01	sub lessee	N <u>200</u>
31/12/02	lessor	<u>280</u>	31/12/02	sub lessee	<u>280</u>
31/12/03	lessor	<u>600</u>	31/12/03	sub lessee	<u>600</u>
31/12/04	lessor	<u>640</u>	31/12/04	sub lessee	<u>640</u>
31/12/05	lessor	<u>800</u>	31/12/05	sub lessee	<u>800</u>

B. short workings allowable and short workings 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 case should be exercised in recognizing profit. in this case the landlord exercises due case not to recognize the short workings yet, not until they are lapsed and the tenant on his part does not record the loss up until he is able to recover it. it also follows the realization concept in that

the land lord does not record the short workings as profit until it is lapsed and the tenant does not realize his loss until he is able to recover it.