

NAME: OSUEKE CHIKAMSO ANGEL.  
 MATRIC NO: 18/SMS02/049.  
 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

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

SUBLESSE A/C					
		₺			₺
31/12/01	Royalty Receivable	200			
31/12/01	Sworing Allowable	400	31/12/01	Bank	600
		<u>600</u>			<u>600</u>
31/12/02	Royalty Receivable	280			
31/12/02	Sworing Allowable	320	31/12/02	Bank	600
		<u>600</u>			<u>600</u>
31/12/03	Royalty Receivable	600	31/12/03	Bank	600
31/12/04	Royalty Receivable	640	31/12/04	Sworing Recoverable	40
			31/12/04	Bank	600
		<u>640</u>			<u>640</u>
31/12/05	Royalty Receivable	800	31/12/05	Sworing Recoverable	200
			31/12/05	Bank	600
		<u>800</u>			<u>800</u>

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					
		₹			₹
31/12/01	Lessor A/C	360	31/12/01	Bal c/d	360
1/1/2002	Bal b/d	360	31/12/02	stat of p or l	360
31/12/02	Lessor A/C	120	31/12/02	Bal c/d	120
		480			480
1/1/2003	Bal b/d	120	31/12/03	Lessor A/C	120
31/12/04	Lessor A/C	160	31/12/04	Balc/d	160
1/1/2005	Bal b/d	160	31/12/05	Lessor	600
31/12/05	Bal c/d	440			
		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			
		720			720
31/12/05	Sublesse	200	1/1/2005	Bal b/d	680
31/12/05	Stat.of p or l	480			
		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 it's 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.