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Matric no : 18/SMS02/016

Dept : Accounting

Course : ACC202

In The Books Of The Lessor
Mr YERIMA

Year	Output of lessee (units)	Output of sublease (units)	Combined output (units)	Actual royalty (₦)	Minimum wage (₦)	Short workings (₦)	Short workings recouped (₦)	Short working lapsed (₦)	Amount paid (₦)
2001	720	100	820	1640	2000	360	0	0	2000
2002	800	140	940	1880	2000	120	0	360	2000
2003	1200	300	1500	3000	2000	0	120	0	2880
2004	600	320	920	1840	2000	160	0	0	2000
2005	900	400	1300	2600	2000	0	160	0	2440

Royalty Receivable Account

	₦		₦
31/12/2001 Statement of P/L	1640	31/12/2001 Lessee	1640
31/12/2002 Statement of P/L	1880	31/12/2002 Lessee	1880
31/12/2003 Statement of P/L	3000	31/12/2003 Lessee	3000
31/12/2004 Statement of P/L	1840	31/12/2004 Lessee	1840
31/12/2005 Statement of P/L	2600	31/12/2005 Lessee	2600

Lessee Account.

	₦		₦
31/12/2001 Royalty	1640		
31/12/2001 Shortworkings	360	31/12/2001 Bank	2000
	2000		2000
31/12/2002 Royalty	1880		
31/12/2002 Shortworkings	120	31/12/2002 Bank	2000
	2000		2000
31/12/2003 Royalty	3000	31/12/2003 Shortworkings	120
		31/12/2003 Bank	2880
	3000		3000
31/12/2004 Royalty	1840		
31/12/2004 Shortworkings	160	31/12/2004 Bank	2000
	2000		2000
31/12/2005 Royalty	2600	31/12/2005 Shortworkings	160
		31/12/2005 Bank	2440
	2600		2600

Shortworkings(allowable) Account.

	₦		₦
31/12/2001 Bal cld	360	31/12/2001 Lessee	360
31/12/2002 Statement of P/L	360	01/1/2002 Bal bld	360
31/12/2002 Bal cld	120	31/12/2002 Lessee	120
	480		480
31/12/2003 Bal cld	360	1/1/2003 Bal bld	480
31/12/2003 Lessee	120	31/12/2003	
	480		480
31/12/2004 Bal cld	520	1/01/2004 Bal bld	360
		31/12/2004 Lessee	160
	520		520
31/12/2005 Lessee	160	1/1/2005 Bal bld	360
31/12/2005 Bal cld	200		
	360		360
		1/01/2006 Bal bld	360

Shortworkings allowable is shown as a liability in the statement of financial position because it follows the prudence concept which states that provisions should be made for all possible losses and due care should be exercised in recognizing profits. The Lessor exercises due care not to recognize the shortworkings yet until they have lapsed. While shortworkings recoupable are shown as an asset because it follows the realization concept which states that the Lessor does not record the shortworkings as profit until it is lapses and the tenant does not realise his loss until he is unable to recover it completely