

MBACHU FAVOUR AMARACHI
18/SMS02/034
ACCOUNTING DEPARTMENT

SOLUTIONS
NO 2:

IN THE BOOKS OF LESSEE

YEAR	LESSOR OUTPUT	SUBLEASE OUTPUT	COMBINED OUTPUT	ACTUAL ROYALTY	MINIMUM ROYALTY
	₦	₦	₦	₦	₦
2001	720	100	820	1640	2000
2002	800	140	940	1880	2000
2003	120	300	1500	3000	2000
2004	600	320	920	1840	2000
2005	900	400	1300	2600	2000

ROYALTIES RECEIVABLES ACCOUNT

	₦		₦
31/12/01 Statement of p&l	1640	31/12/01 Lessee	1640
31/12/02 Statement of p&l	1880	31/12/02 Lessee	1880
31/12/03 Statement of p&l	3000	31/12/03 Lessee	3000
31/12/04 Statement of p&l	1840	31/12/04 Lessee	1840
31/12/05 Statement of p&l	2600	31/12/05 Lessee	2600

LESSEE ACCOUNT

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

	31/12/2005 Bank	<u>2440</u>
<u>2600</u>		<u>2600</u>

SHORTWORKINGS (ALLOWABLE) ACCOUNT

	₦		₦
31/12/01 Bal c/d	<u>360</u>	31/12/01 Lessee	<u>360</u>
31/12/02 Statement of p&l	360	1/1/02 Bal b/d	360
31/12/02 Bal c/d	<u>120</u>	31/12/02 Lessee	<u>120</u>
	<u>480</u>		<u>480</u>
31/12/03 Lessee	120	1/1/03 Bal b/d	480
31/12/03 Bal c/d	<u>360</u>		
	<u>480</u>		<u>480</u>
		1/1/04 Bal b/d	360
31/12/04 Bal c/d	<u>520</u>	31/12/04 Lessee	<u>160</u>
	<u>520</u>		<u>520</u>
31/12/05 Lessee	160	1/1/05 Bal c/d	360
31/12/05 Bal c/d	<u>200</u>		
	<u>360</u>		<u>360</u>
		1/1/06 Bal c/d	360

NO 6:

Shortworkings allowable and shortworkings recouped are seen as liability and assets respectively in the statement concept states that provisions should be made adequately for all losses and profits should be recognised carefully profit until they are lapsed and the tenant would not record the loss until he is unable to recover it. It also relates as profit until it is lapsed and the tenant does not realise his loss until he is unable to recover it.

SHORT WORKINGS	SHORTWORKINGS RECOUPED	SHORTWORKINGS LAPSED	AMOUNT
₱	₱	₱	₱
360	-	-	2000
120	-	360	2000
-	120	-	2000
160	-	-	2000
-	160	-	2000

nt of financial position, this relates to the prudence concept. The prudence
y as required. Here the landlord would exercise due care to not recognise
; to the realisation concept that the landlord would not record the shortworkings