NAME:ABUBAKAR FATIMA BASHIR

MATRIC NUMBER:18/sms02/001

DEPARTMENT:ACCOUNTING

COURSE:ACC202

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| 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  Lasped  ₦ | 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 | |

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| SUBLESSE 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 |

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| 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 |  |

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| LESSOR A/C | |
| ₦  31/12/01 Bank **2000**  **2000**  31/12/02 Bank 2000  **2000**  31/12/03 S/working Recoverable 120  31/12/03 Bank 1880  **3000**  31/12/04 Bank 2000  **2000**  31/12/05 s/working recoverable 160  31/12/05 Bank 2440  **2600** | ₦  31/12/01 Royalty Payable 1440  31/12/01 Royalty Receivable 200  31/12/01 S/working Recoverable 360  **2000**  31/12/02 Royalty Payable 1600  31/12/02 Royalty Receivable 280  31/12/02 S/working Recoverable 120  **2000**  31/12/03 Royalty Payable 2400  31/12/03 Royalty Receivable 600  **3000**  31/12/04 Royalty Payable 1200  31/12/04 Royalty Receivable 640  31/12/04 S/working Recoverable 160  **2000**  31/12/05 Royalty Payable 1800  31/12/05 Royalty Receivable 800  **2600** |

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| SUBLESSE A/C | |
| ₦  31/12/01 Royalty Receivable 200  31/12/01 S/working Recoverable 400  **600**  31/12/02 Royalty Receivable 280  31/12/02 S/working Recoverable 320  **600**  31/12/03 Royalty Receivable 600  31/12/04 Royalty Receivable 640      640 31/12/05 Royalty Receivable 800  **800** | ₦  31/12/01 Bank 600  **600**  31/12/02 Bank 600  **600**  31/12/03 Bank 600  31/12/04 S/working Recoverable 40  31/12/04 Bank **640**  31/12/05 S/working Recoverable 200  31/12/05 Bank 600  **800** |

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| 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 | 1660 |
| 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 |

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| ROYALTY RECIEVABLE | | | | | |
|  |  | ₦ |  |  | ₦ |
| 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 |

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| SHORTWORKING RECOVERABLE A/C | |
| ₦  31/12/01 Lessor A/C 360  1/1/2002 Bal b/d 360  31/12/02 Lessor A/C 120  **480**  1/1/2003 Bal b/d 120  31/12/04 Lessor A/C 160  1/1/2005 Bal b/d 160  31/12/05 Bal b/d 440  **600** | ₦  31/12/01 Bal c/d 360  31/12/02 stat of p or l 360  31/12/03 Bal c/d 120  480  31/12/03 Lessor A/C 120  31/12/04 Bal c/d 160  31/12/05 Lessor 600  600 |

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| SHORTWORKING ALLOWABLE A/C | |
| ₦  31/12/01 Bal c/d 400  31/12/02 Bal c/d 720  720  31/12/03 Bal c/d 720  31/12/04 Sublesse 40  31/12/04 Bal c/d 680  720  31/12/05 Sublesse 200  31/12/05 Stat. of p or l 480  **680** | ₦  31/12/01 Sublesse 400  1/1/2002 Bal b/d 400  31/12/02 Sublesse 320  **720**  1/1/2003 Bal b/d 720  1/1/2004 Bal b/d 720  720  1/1/2005 Bal b/d 680  **680** |

QUESTION 6

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| 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. |