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 | LESSEEOUTPUT | Sublessee Output | CombinedOutput | ActualRoyalty₦ | MinimumRoyalty₦ | S/Working₦ | S/Workingrecouped₦ | 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 | ActualRoyalty₦ | MinimumRoyalty₦ | S/working₦ | S/workingRecouped₦ | S/workingLapsed₦ | 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 12031/12/03 Bank 1880 **3000**31/12/04 Bank 2000 **2000**31/12/05 s/working recoverable 16031/12/05 Bank 2440 **2600** |  ₦31/12/01 Royalty Payable 144031/12/01 Royalty Receivable 20031/12/01 S/working Recoverable 360 **2000**31/12/02 Royalty Payable 160031/12/02 Royalty Receivable 28031/12/02 S/working Recoverable 120 **2000**31/12/03 Royalty Payable 240031/12/03 Royalty Receivable 600  **3000**31/12/04 Royalty Payable 1200 31/12/04 Royalty Receivable 64031/12/04 S/working Recoverable 160 **2000**31/12/05 Royalty Payable 180031/12/05 Royalty Receivable 800 **2600** |

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| SUBLESSE A/C |
|  ₦31/12/01 Royalty Receivable 20031/12/01 S/working Recoverable 400 **600** 31/12/02 Royalty Receivable 28031/12/02 S/working Recoverable 320  **600**31/12/03 Royalty Receivable 60031/12/04 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 60031/12/04 S/working Recoverable 40 31/12/04 Bank **640**31/12/05 S/working Recoverable 20031/12/05 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 3601/1/2002 Bal b/d 36031/12/02 Lessor A/C 120 **480**1/1/2003 Bal b/d 12031/12/04 Lessor A/C 1601/1/2005 Bal b/d 16031/12/05 Bal b/d 440 **600** |  ₦31/12/01 Bal c/d 360 31/12/02 stat of p or l 36031/12/03 Bal c/d 120 48031/12/03 Lessor A/C 12031/12/04 Bal c/d 16031/12/05 Lessor 600 600 |

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| SHORTWORKING ALLOWABLE A/C |
|  ₦31/12/01 Bal c/d 40031/12/02 Bal c/d 720 72031/12/03 Bal c/d 72031/12/04 Sublesse 4031/12/04 Bal c/d 680 72031/12/05 Sublesse 20031/12/05 Stat. of p or l 480 **680** |  ₦31/12/01 Sublesse 4001/1/2002 Bal b/d 40031/12/02 Sublesse 320 **720**1/1/2003 Bal b/d 7201/1/2004 Bal b/d 720 7201/1/2005 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. |