

PROBLEMS ON ROYALTY ACCOUNTS

1. The Karnataka Minerals Ltd acquired a lease from a landlord for the purpose of extracting ore. It was agreed that the company should pay Rs 12 per ton of ore raised subject to minimum rent of Rs 36,000 a year and that the short working could be recouped in the first 3 years. The output raised for the first four years was

Year	Production
2016-2017	1750
2017-2018	2750
2018-2019	3750
2019-2020	4750

Write up the royalty account , short working account and land lord account .

2. Mr Ajith has patent of safety locks. He gave right of manufacture and safe of lock to national traders for 14 years on the following terms
Royalty will be at Rs 5 on each lock sold and minimum rent is Rs 1,00,000 per year .
short working will be recouped in the following two year . open the necessary accounts

Year	No of locks sold
2016-2017	16,000
2017-2018	18,000
2018-2019	22,000
2019-2020	36,000

3. B Coal Limited leased a colliery from S Ltd at a royalty of Rs 1.50 per ton of coal raised with a minimum rent of Rs 10,000 per annum. Each years excess of minimum rent over actual royalty is recoverable out of royalty of next five years. In the event of strike the minimum rent not being reached , the lease provided that actual royalties earned for the year discharged all the rental obligations for the year. The output of the colliery for the first seven year was as follows .

Year	Production (in tons)
2013-2014	Nil
2014-2015	3,000
2015-2016	4,000
2016-2017	6,000
2017-2018	8,000
2018-2019	4,000(strike for 3 months)
2019-2020	10,000

Prepare all the four accounts

Note : check the videos for solution uploaded in the college website
www.jaincollege.ac.in/jecvvp