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Dr. Honey Sinha  
 Assistant professor  
 Depto of commerce  
 Sub: financial Accounting (A/C HONOURS)  
 B. Com Part - 1st  
SNSRKS College Saharsa

Practical Problem in the Chapter of  
"Royalty"

Q E Coal Company took a mine on lease on a Royalty of 37½ paise per ton of Coal raised, with a dead rent of Rs. 30,000 per year and power to recoup short working during the first five years of the lease. The output for the first five years is as follows: 1st year 10,000 tons, 2nd year 48,000 tons, 3rd year 80,000 tons, 4th year 1,20,000 tons, 5th year 1,20,000 tons. Write up the Dead Rent Account, Royalties Account, Short working Account and Landlord Account in E Coal Company's Ledger.

Solution

Analytical Table:

Year	Product	Royalty	Dead of minimum Rent	Short working	Short working Recouped	Amount paid	Unrecouped short working transferred to P&L A/c
I <sup>st</sup> yr.	10,000	Rs 3,750	Rs 30,000	Rs 26,250	Rs —	Rs 30,000	Rs —
II <sup>nd</sup> yr.	48,000	18,000	30,000	12,000	—	30,000	—
III <sup>rd</sup> yr.	80,000	30,000	30,000	—	—	30,000	—
IV <sup>th</sup> yr.	1,20,000	45,000	30,000	—	15,000	30,000	—
V <sup>th</sup> yr.	1,20,000	45,000	30,000	—	15,000	30,000	—

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### Dead Rent Account

I yr.	To Landlord	Rs 30,000	I yr.	By Royalties A/c	Rs 3,750
				By S.W.A/c	26,250
		Rs <u>30,000</u>			Rs <u>30,000</u>
II yr.	To Landlord	30,000	II yr.	By Royalties A/c	18,000
				By S.W.A/c	12,000
		Rs 30,000			Rs 30,000

### Royalties Accounts

I yr.	To Dead Rent A/c	Rs 3,750	III yr.	By P. & L. A/c	Rs 3,750
II yr.	To Dead Rent A/c	18,000	II yr.	By P. & L. A/c	18,000
III yr.	To Landlord	30,000	III yr.	By P. & L. A/c	30,000
IV yr.	To Landlord	45,000	IV yr.	By P. & L. A/c	45,000
V yr.	To Landlord	45,000	V yr.	By P. & L. A/c	45,000

### Landlord Account

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I yr.	To Bank A/c	Rs 30000	I yr.	By Dead rent A/c	30000
II yr.	To Bank A/c	30000	II yr.	By " " "	30000
III yr.	To Bank A/c	30000	III yr.	By Royalties A/c	30000
IV yr.	To Bank A/c	30000	IV yr.	" " "	45000
	To Shortworking A/c	15000			
	Rs.	45000		Rs.	45000
V yr.	To Bank A/c	30000	V yr.	By Royalties A/c	45000
	To Shortworking A/c	15000			
	Rs.	45000		Rs.	45000

### Shortworking Account

I yr.	To Dead Rent A/c	Rs 26,250	I yr.	By Balance c/d	26,250
II yr.	To Balance b/d	26,250	II yr.	" "	38,250
	To Dead Rent A/c	12,000			
	Rs.	38,250			
III yr.	To Balance b/d	38,250	III yr.	" "	38,250
IV yr.	To Balance b/d	38,250	IV yr.	By Landlord A/c	15000
				" balance A/c	23250
	Rs.	38,250		Rs.	38250
V	To Balance b/d	23,250	V yr.	By Landlord A/c	15000
				By P&L A/c	8250
	Rs.	23,250		Rs.	23250

The end

Dr. Honey Sinta  
Assistant professor  
Dept. of Commerce  
SNSRPG College  
Sahasra