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DEPARTMENT OF COMMERCE

Class -UG First Semester
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Paper -MJC-1
Subject -Financial Accounting
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"Education is the power for being a good human being"

Royality

Consideration paid or payable to landlord against the utilization of his assets is called Royality.

There are five types of Royality-1. Mining Royality 2.Bricks Royality 3. copyright Royality 4.Patent Royality 5.Oil cops Royality.

There are two aspects of Royality-1.Landlord 2.Lessee

1.Landlord:-One who is the owner of lease.

2.Lessee:-One who takes assets on lease.

Important points:-

1.Minimum Rent:-The amount that is paid annually,half yearly and quarterly to landlord is called minimum rent.It is also called Dead Rent or Idol Rent.

2.Shortworking(S.W):-Excess of minimum rent over royality is called sw. SW= MR- AR

3. Surplus(SR):- Excess of royality over minimum rent is called surplus SR=AR-MR

4.Shortworking Recouped (SWR):-The amount of sw which is recouped from surplus is called SWR.

5.Unrecouped Shortworking (USW):- The amount which is not recouped from surplus that is called USW and transfer to P/L A/C

To be continue....

B.Com part-1

BRABU, Muzaffarpur

Royality

Journal Entries in the books of Lessee:-

Case 1.when MR>AR

1.Royality A/C ...Dr.
SW A/C. ...Dr.
To Landlord A/C
(Being royality and sw transferred to Landlord a/C.)

2.Landlord A/C. ...Dr.
To Bank A/C
(Being amount paid to landlord.)

3.P/L A/C. ...Dr.
To Royality A/C
(Being royality transferred to p/l a/C.)

Note,:-When Sw transferred to USW

P/L A/C. ....Dr.
To Royality A/C
To SW A/C
(Being royality and sw transferred to p/l a/C.)