

ATTORNEYS' EXAMINATION

PART 4

LEGAL PRACTITIONERS' BOOKKEEPING

5 NOVEMBER 2020

14:00-16:15

Total: [100]

Candidates are allowed 15 minutes to peruse the paper before starting to answer the questions. No candidate may start writing in the answerbook during this period. The examination of 2 hours then follows.

1. Candidates may use calculators.
2. In answering the questions you should ensure that the relevant entries are clearly identified, narrated detailed.
3. Separate business and trust cash books and clients' ledger accounts must be opened and are not to be combined. Journal entries must be properly identified and narrated.
4. Please write only in pen on the right-hand pages.
5. Except if a special reason exists, a candidate will not be required to do an oral in this part if 50% or more is attained. If a candidate achieves less than 40% he/she will not qualify for an oral and will have failed this section.

QUESTION 1**[10]**

- 1.1 What are the duties and obligations placed on accountable institutions in terms of the Financial Intelligence Centre Act 38 of 2001? (5)
- 1.2 What is the purpose of a trust trial balance? (1)
- 1.3 What steps must a legal practitioner, practising with a trust account, take on discovering a trust deficit/shortfall? (2)
- 1.4 When must an account be rendered to a client? (2)

QUESTION 2**[40]**

You send the following statement to your Correspondent who instructed you to act on behalf of his client Green - a collection matter and the registration of a Trust.

Green vs Debtor

Fee Warrant of Execution	1500	500
VAT	225	75
Paid Sheriff	3000	
EFT Debtor		50 000
Collection Commission	3000	1000
VAT	450	150
Draft Undertaking	3000	1000
VAT	450	150

Registration of Trust

Paid Registrar	2 000	
Paid Counsel on advice	10 000	
Fee for drafting Trust	6000	2000
VAT	900	300
EFT to you	24 650	
	<u>55 175</u>	<u>55 175</u>

Record all the entries in the Trust and Business Cash Books, Journal and Ledgers.

QUESTION 3**[37]**

You are the transferring attorney. Avi sold a land owned by him to Vuyo for the purchase price of R300 000.00 to be paid by him into the transferring attorneys trust account. The following transactions occur:

1. The estate agent sends you his pro forma account in respect of commission of R10 000 payable on registration.

2. You receive the purchase price proceeds from Vuyo via EFT. You are authorized by the agreement to invest the monies in an interest-bearing account for Vuyo's benefit. You invest the money at Investec.
3. You submit your pro forma account to Mr. Purchaser for the costs of transfer - R11 900.00. Vuyo deposited the costs deposit via EFT immediately inclusive of an additional deposit of R100 000.00. You decide to invest the deposit of R100 000.00 at ABSA Bank.
4. The transfer is registered. You call up both investments. You receive interest of R3 000 from Investec and pay the beneficiaries thereof. You receive interest of R1 200.00 from ABSA and pay the beneficiaries thereof.
5. Vuyo instructs you to purchase quoted shares for R100 000.00 and you pay the stockbroker accordingly. Vuyo instructs you to sell the shares which realise R65 000.00.

You are required to record the above transactions in your books of account. No provision is to be made for VAT.

QUESTION 4

[13]

Your business cash book reflected an overdraft balance as at 30 June 2020 of R65 000. The bank statement reflected an overdraft of R47 000. A comparison of the two revealed the following:

- (a) Overdraft interest of R1 000 was not reflected in the cash book.
- (b) Payments issued totalling R9 000 were not reflected on the bank statement.
- (c) A deposit of R5 000 was not reflected on the bank statement.
- (d) A trust payment issued for R1 500 appears on the business bank statement.
- (e) A debit order payment for your motor vehicle of R2500 is not reflected in the cash book.
- (f) A trust deposit of R9 000 had erroneously been credited to the business account.
- (g) An electronic deposit of R10 000 does not appear in the cash book.

You are required to prepare:

- 4.1 the supplementary cash book for June 2020.
- 4.2 the bank reconciliation statement for June 2020.

- THE END -
