

# ATTORNEYS' EXAMINATION

## PART 4

### LEGAL PRACTITIONERS' BOOKKEEPING

16 MARCH 2022

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 if 50% or more is attained. If a candidate achieves a score from 40% and below 50% he/she will be required to do an oral. If a candidate achieves less than 40% he/she will not qualify for an oral and will have failed this examination.

During the course of your practice, the following transactions take place:

1. You receive R800 000.00 from K Hart as a deposit for the purchase of a property.
2. K Hart authorises you in writing to invest the funds on his behalf with Green Bank.
3. M Carey instructed you to collect an amount of R250 000.00 from C Rock as damages to her vehicle caused by the negligence of Mr Rock. You issue a summons and debit a fee of R1 000.00.
4. You receive R120 000.00 from T Banks as a deposit for the registration of a trust.
5. Mrs Banks instructs you in writing to invest the money with Blue Bank.
6. Mrs Banks further instructs you to proceed with the registration of the Bank's Family Trust. You draft the documents you charge a fee of R40 000.00.
7. Mrs Banks instructs you to withdraw R20 000.00 from the investment.
8. Mrs Banks further instructs you to pay R11 500.00 (inclusive of VAT) to the agent that submitted the documents at the Master's offices.
9. You receive a further payment of R45 000.00 from K Hart in respect of the transfer costs which include transfer fees and transfer duty.
10. You receive payment in the amount of R25 875.00 (inclusive of VAT) from A Keys in settlement of your statement of account, for professional services rendered in her divorce case.
11. You pay R22 000.00 to SARS in respect of the transfer duty in the matter of Mr Hart.
12. You receive a payment in the amount of R100 000.00 from Mr Rock as a part payment in respect of the damages to Mrs Carey's vehicle.
13. You record the collection commission in the amount of R1 500.00.
14. You receive R5 000 000.00 from Obama Construction (Pty) Ltd as the purchase price in respect of a new development.
15. You decide to invest R2 500 000.00 of the available trust funds with Red Bank.

16. You call up the investment with Green Bank and you receive interest in the amount of R4 000.00. You pay the beneficiaries thereof.
17. You receive a cash payment from D Johnson in the amount of R25 000.00 as a deposit in action proceedings against the Minister of Police.
18. You receive medical reports from the medical practitioner in the matter for Mr Johnson and you pay his account in the amount R8 050.00.
19. You debit an instruction fee of R2 000.00 in the matter of Mr Johnson.
20. You withdraw R1 000 000.00 from the Red Bank investment.
21. You brief Counsel in the matter of Mr Johnson and you receive the particulars of claim together with Counsel's account in the amount of R14 950.00 (inclusive of VAT). You pay Counsel.
22. You withdraw a further R37 500.00 of the investment with Blue Bank on instructions of T Banks to cover your fees.
23. It is the end of the month and you effect a trust transfer of the amounts that you are entitled to transfer.
24. You pay any available funds to Mrs Carey.
25. You pay SARS the amount due in terms of Output Vat.

Record all of the above transactions as they would appear in your books of account. Funds must be transferred from your trust to your business account only once at the end of the month.

Make provision where applicable for VAT at the rate of 15%.

It is not necessary to prepare accounting statements.

**QUESTION 2** **[24]**

You receive the following statement from your instructed correspondent, Flash Attorneys, who you instructed to attend to your client's claim for damages to his property by the tenant, Mr Never Buy.

<b><u>STATEMENT OF ACCOUNT:</u></b>	<b>DR</b>	<b>CR</b>
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**LAND LORD vs NEVER BUY**

INSTRUCTION FEE	R	300.00
VAT @ 15%	R	45.00

1/3 ALLOWANCE ON FEE		R	100.00
VAT @ 15%		R	15.00
SUMMONS FEE	R	600.00	
VAT @ 15%	R	90.00	
1/3 ALLOWANCE ON FEE		R	200.00
VAT @ 15%		R	30.00
PAID SHERIFF	R	500.00	
PAYMENT RECEIVED: MR NEVER BUY		R	20 000.00
COLLECTION COMMISSION	R	1 200.00	
VAT @ 15%	R	180.00	
1/3 ALLOWANCE ON FEE		R	400.00
VAT @ 15%		R	60.00
EFT PAYMENT TO YOU	R	17 890.00	
	R	20 805.00	R 20 805.00

Record the above transactions in your books of account. Transfer monies where necessary and pay any available funds to your client. It is not necessary to prepare an accounting statement to your client.

**QUESTION 3** **[12]**

Your business cashbook on the 31st of January 2022 reflects a negative balance of R33 000.00.

Your business bank statement on the same date reflects a positive balance of R6 000.00.

A comparison of your cashbook and bank statement reveal the following:

1. An EFT payment of R15 000.00 by your client, in respect of your statement of account, appears only on the bank statement.
2. Your monthly stop order for R1 500.00 in respect of the firm's short term insurance has not been recorded in the cashbook.

3. A cash deposit of R2 000.00 received on 31 January 2022 only appears in the cashbook.
4. Your debit order for R2 000.00 for the firm vehicle lease has not been recorded in the cashbook.
5. A payment made by you in the amount of R1 212.00 was incorrectly entered in the cashbook as R1 221.00.
6. A direct deposit of R29 491.00 made by a client only appears on the bank statement.

Prepare the supplementary cashbook and bank reconciliation statement as at 31 January 2022.

**QUESTION 4** **[13]**

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- 4.1 Explain what is a "Trust Reconciliation"? (5)
- 4.2 In which bank account will you deposit the funds received in each of the following:
  - 4.2.1 A client pays you a R20 000.00 deposit to register a company. (1)
  - 4.2.2 A client pays your statement of account for professional services rendered. (1)
  - 4.2.3 Sanlam pays you R800 000.00 as the proceeds in respect of a life policy where you are administering the Estate. (1)
- 4.3 Explain the difference between a legal practitioner practising with a Fidelity Fund certificate and a referral legal practitioner. (5)

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**- THE END -**

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