

ATTORNEYS' EXAMINATION

PART 4

LEGAL PRACTITIONERS' BOOKKEEPING

17 AUGUST 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 section.

QUESTION 1**[15]**

1. Who will receive the interest earned on the following accounts:
 - 1.1 Section 86(2) account;
 - 1.2 Section 86(3) investment account;
 - 1.3 Section 86(4) investment account. (2)
2. When should the interest earned on the accounts as referred to in 1.1 – 1.3 above be paid over to the beneficiary? (2)
3. What amounts are a practitioner entitled to recover/subtract from the interest earned on a section 86(2) account? (1)
4. How often should an accountant be appointed to examine a practitioner's accounting records? (1)
5. Are the accountants' fees recoverable and from whom? (1)
6. How will the value-added tax charged on the accountants' fees, if applicable, be recovered? (1)
7. For how long must a practice retain its accounting records? (1)
8. How should a practice deal with any money held in the trust account in respect of which the identity of the owner is unknown for more than a year, or which is unclaimed after one year? (2)
9. What will be the remedy available to the rightful owner of the unknown and/or unclaimed trust money if he/she has been found after three years from the date that the money was received. (1)
10. When may the High Court, on application made by the Legal Practice Council or by any person having an interest in the trust account of the legal practitioner, appoint a *curator bonis* to control and administer the trust account? (3)

QUESTION 2**[15]**

Your business cashbook reflected an overdraft balance on 31 July 2022 of R125,000.00. The bank statement reflected a debit balance of R278,852.00. A comparison of the two revealed the following:

1. A debit order payment of R57,500 (inclusive of VAT) in respect of your monthly office lease is not reflected in the cashbook.
2. A cash deposit of R15,700.00 made by client A on 31 July 2022 is not reflected on the bank statement.
3. Overdraft interest of R950.00 is not reflected in the cashbook.

4. A direct deposit of R24,000.00 made by client B does not appear in the cashbook.
5. Bank charges in the amount of R2,350.00 has been debited to your bank account.
6. A deposit of R57,226.00 made by client C has been incorrectly entered into the cashbook as R5,722.00.
7. The bank erroneously debited your business account with an amount of R2,000.00.
8. A payment made by you to Waltons in the amount of R921.00 has been incorrectly entered in the cashbook as R291.00.
9. A payment of R150,226.00 made by you from your trust account appears on the business bank statement.

You are required to:

1. Prepare a supplementary cashbook for July 2022 and,
2. Prepare a bank reconciliation statement for July 2022.

QUESTION 3

[55]

On 1 July 2022 your trust cashbook balance was R5,000,000.00 and the Section 86(4) investment account balance for Mr Jones was R1,000,000.00. On the same date your business cashbook reflected an overdraft of R102,000.00.

The following transactions take place during July 2022:

1. You received a deposit in your trust bank account in the amount of R20,000.00. The identity of the client who paid the money is unknown.
2. You purchase a notebook from the Appel iStore in the amount of R17 250.00. (inclusive of input VAT of R2 250.00).
3. You are appointed as the transferring Attorney to effect transfer of your client, Mr Corny's farm, sold to Mr Nguni, at the agreed purchase price of R8,000,000.00.
4. In terms of the agreement Mr Nguni must pay a deposit of R1,000,000.00.
5. You receive the written agreement from the Estate Agent who requests you to confirm that you will pay his commission in the amount of R500,000.00 on date of transfer.
6. Mr Nguni pays the agreed deposit into your trust account per EFT.

7. You decide to invest R1,000,000.00 of the available trust funds with Red Bank.
8. You receive a bank guarantee from Green Bank for the balance of the purchase price.
9. You draft the transfer documents and on signature thereof by Mr Nguni, you render your pro-forma statement of transfer costs to him as follows:

➤	Transfer fees	R 80,000.00
➤	VAT on fees @ 15%	R 12,000.00
➤	Transfer duty	<u>R696,000.00</u>

	TOTAL	R788,000.00
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10. Mr Nguni pays the transfer costs.
11. Mr Corny is responsible to pay the clearance figures to the local Municipality in the amount of R9,000.00. You pay this amount to the Municipality on behalf of Mr Corny and receive the clearance certificate.
12. You also pay the transfer duty to SARS and receive the transfer duty receipt.
13. The source of the unknown deposit in the amount of R20,000.00 is now established and your client, Mr Clueless made this payment as a deposit in respect of his upcoming criminal trial.
14. You purchase stationary from PNA in the amount of R5,750.00 (VAT inclusive).
15. The transfer is registered.
16. You pay the amount to SARS in respect of your VAT liability.

Record all the entries in your book of prime entry and post the entries to your books of secondary entry.

Transfer whatever you are entitled to. It is not necessary to prepare final statements of account to Mr Nguni and Mr Corny.

Calculate your Trust cashbook and Business cashbook balances at the end of July 2022.

QUESTION 4 **[15]**

You receive the following statement from your correspondent, Rush Attorneys, whom you instructed to attend to a collection matter on behalf of your client Mr Honest.

You agreed on a 20% allowance on fees and VAT.

Mr Honest / Mr Cheap

	DR	CR
To Summons Fee	500.00	100.00
VAT @ 15%	75.00	15.00
To paid Sheriff	250.00	
To cash payment Mr Cheap		3,000.00
To collection Commission	300.00	60.00
VAT @ 15%	45.00	9.00
To EFT payment to you	2,014.00	
	3,184.00	3,184.00

- 4.1 You are required to record the above transactions in all your books of account. It is not necessary to prepare a final statement of account to your client, Mr Honest. (12)
- 4.2 May legal practitioners agree on a 50% allowance? (1)
- 4.3 What is the maximum percentile allowed, in respect of an allowance, to be shared by legal practitioners? (1)
- 4.4 Who is the client of the instructed Attorney? (1)

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OF SOUTH AFRICA
- THE END -