

# ATTORNEYS' EXAMINATION

## PART 4

### LEGAL PRACTITIONERS' BOOKKEEPING

24 AUGUST 2023

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 answer book 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 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]**

Your Trust Cash Book balance as of 31 March 2023 reflected a balance of R1 000 000.00. The Bank Statement balance at the same date was R176 391.00. A comparison of the cash book and Bank Statement for March 2023 reveals the following:

1. A direct deposit by a client of R300 000.00 into your Trust Bank account has not been recorded in the cash book.
2. Interest of R29 000.00 has not been entered in the cash book.
3. Deposits totalling R35 000.00 received on 30 March 2023 are not reflected on the bank statement.
4. The bank debited your Trust Banking Account with Trust banking charges of R20 000.00.
5. An electronic transfer by a client of R1 000.00 has not been entered into the cash book.
6. An EFT Trust payment for R98 609.00, made by you, in payment of a client's account, appears on the bank statement, but is not shown in the cash book.
7. An erroneous EFT deposit made into the Trust Banking Account for R330 000.00, which is already recorded in your cash book, has been reversed by the bank. The reversal is not recorded in your cash book.
8. EFT payment made from the Business Bank Account for R400 000.00 is incorrectly reflected on the Trust Banking Account.
9. A Trust payment of R300 000.00 made by you, was incorrectly entered as R30 000.00 in the cash book.

**You are required to prepare a supplementary cash book for 31 March 2023 and to prepare the bank reconciliation statement as of 31 March 2023.**

**QUESTION 2****[32]**

**You are required to record the following entries in your books of prime entry and post those entries to the respective ledger accounts.**

- 2.1 **You receive a proof of an EFT payment in the amount of R17 061.00 from your instructed Correspondent, BDB Attorneys, together with their accounting statement, in a collection matter on behalf of your client, D Khumalo against a debtor, D Buckley.**
- 2.2 **On the accounting statement your Correspondent recorded a payment received from the judgment debtor, D Buckley, in the amount of R21 500.00.**

**2.3 Your instructed Correspondent also recorded a total amount of R5 405.00 in respect of fees plus VAT levied and disbursements paid, as follows:**

<b>2.3.1 Fees</b>	<b>R2 520.00</b>
<b>2.3.2 VAT @ 15%</b>	<b>R 378.00</b>
<b>2.3.3 Disbursements</b>	<b>R2 507.00</b>

**2.4 Your instructed Correspondent gave you an allowance of R840.00 on their fees and R126.00 VAT on the fee allowance, in terms of an agreement entered into between you and your Correspondent.**

**2.5 After you transferred the amount due to you, you make a payment to your client, D Khumalo, of the available funds.**

**2.6 Draft a statement of account to your client, D Khumalo.**

**2.7 What is the maximum allowance that Legal Practitioners may agree on?**

### **QUESTION 3**

**[43]**

On 1 June 2023 your Trust cash book balance was R185 000. This amount is held on Trust on behalf of your client Mr Nathi. On the same date your Business Cash Book reflected an overdraft balance of R33 000.00.

The following transactions take place during June 2023:

#### **June 2**

- You receive a further R100 000.00 from Mr Nathi with instructions to hold it in Trust pending the happening of a future event.
- You receive an EFT payment from Mr Lender in the amount of R2 000 000.00 to be held in Trust, pending the finalisation of the negotiations for the purchase of development land.
- You decide to invest R50 000.00 of the available Trust funds with First National Bank.

#### **June 3**

- Mr Jack effects an EFT payment to you of R20 000.00 and provides you with instructions to invest it in unit trusts. You comply with his mandate and pay the R20 000.00 to Allan Gray.

#### **June 4**

- Mr Jack negotiates the purchase of a property from Mr Seller for R5 000 000.00. Your firm will be the appointed conveyancers. The purchase price will be payable as follows:

- R1 000 000.00 deposit is payable on signature of the purchase and sale agreement. You will be authorised in terms of the agreement to invest the deposit in an interest-bearing investment account with ABSA Bank, for his benefit.
- R3 000 000.00 will to be secured by a first mortgage bond with Nedbank.
- Your firm undertakes to arrange a second mortgage bond for R1 000 000.00 with your client, Mr Lender.
- Mr Jack will pay the total proforma costs of R300 000.00 of which R100 000.00 is for transfer duty.

### **June 14**

- You make the following payments for your practice:
  - You pay your first instalment on your firm vehicle to Wesbank in the amount of R3 999.00. On 1 June 2023 the outstanding balance owed to Wesbank amounted to R400 000.00.
  - You pay your annual fees to the LPC of R3 500.00

### **June 15**

- The purchase and sale agreement is signed:
  - You receive two payments by EFT from Mr Jack, the R1 000 000.00 deposit and the proforma costs of R300 000.00.
  - You pay SARS the transfer duty of R100 000.00.
  - You receive the guarantee from Nedbank.

### **June 20**

- The transfer is registered at the Deeds office.
- You withdraw the investments and you receive R1 200 000.00 from ABSA Bank and R55 000.00 from First National Bank, and you pay the interest to the beneficiaries.
- You withdraw the unit trust investment and receive R23 000.00 from Allan Gray.
- You receive payment of the guarantee from Nedbank.
- You transfer the R1 000 000.00 in respect of the second bond.
- You debit your fees and effect a Trust transfer.
- You pay Mr Seller and Mr Jack the available funds held in Trust.

### **You are required to:**

- a) **Record all the above transactions in your books of account.**
- b) **Transfer the amounts you are entitled to, to your Business Account.**
- c) **There is no need to make provision for VAT.**
- d) **It is not necessary to prepare accounting statements for your clients.**

Which of the following are the correct statements:

**4.1 An accountable institution as defined in the Financial Intelligence Centre Act No. 38 of 2001 (as amended) has a duty to:**

- (a) Report suspicious and unusual transactions to the Financial Intelligence Centre.
- (b) Adopt and implement a Risk and Compliance Program.
- (c) As prescribed by the Act, keep records of their clients for at least 7 years.
- (d) Appoint an office manager.
- (e) (a) & (b).
- (f) All of the above.

**4.2 Interest received/accrued on:**

- (a) Section 86(2) bank account must be paid over to the LPFF monthly.
- (b) Section 86(3) investment account must be paid over to the LPFF monthly.
- (c) Section 86(4) investment account must be paid over to the LPFF when the investment is called up.
- (d) (a) & (b).
- (e) None of the above.
- (f) All of the above.

**4.3 Any money held in the Trust Bank account of a practice in respect of which the identity of the owner is unknown must:**

- (a) Be recorded in the financial records.
- (b) After the first closing of the accounting records, following the date upon which those funds were received, be paid over to the LPFF.
- (c) Be immediately invested in terms of Section 86(3).
- (d) When paid over to the LPFF the owner is deprived of any right to the funds.
- (e) (a) & (b).
- (f) All of the above.

**4.4 A Legal Practitioner, who practices with a Trust Banking Account, must keep proper accounting records of:**

- (a) Money received and paid on its own account.
- (b) Money invested in a Trust Account and interest on money so invested in terms of Section 86 of the Act.
- (c) Any money received, held, or paid on account of a Deceased Estate.
- (d) Any money received, held, or paid on account of an Insolvent Estate.
- (e) (a) & (b).
- (f) All the above.

**4.5 Every Practitioner must in writing, provide to his/her client with a final statement of account:**

- (a) Monthly.
- (b) On earlier termination of any mandate.
- (c) After completion of any mandate.
- (d) Quarterly.
- (e) (a) & (b).
- (f) (b) & (c).

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