

ATTORNEYS' EXAMINATION

PART 4 LEGAL PRACTITIONERS' BOOKKEEPING

16 MARCH 2023

09:00-12:15

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 3 hours then follows.

1. Candidates must answer all the questions.
2. Candidates must remember that marks are awarded for good draftsmanship.
3. Candidates must invent their own facts wherever necessary.
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**[40]**

You send the following statement to your Correspondent, who has **instructed you** in three (3) matters on behalf of the same client of his.

<u>David v Sultan</u>		
To fee: Summons	15 000	3 000
To paid Sheriff	900	
To Fee: Default Judgement	7 000	1 400
By cash: Sultan		75 000
To: Collection Commission	1 500	300
To: VAT @ 15%	3 525	705
<u>David - Registration of Company</u>		
To fee for agreement	10 000	2 000
To paid Registrar	2 500	
To paid Counsel	4 500	
To VAT	1 500	300
<u>David - Divorce</u>		
To paid Counsel	3 000	
To paid Sheriff	500	
To our fees	20 000	4 000
To VAT	3 000	600
EFT herewith	14 380	
	<u>87 305</u>	<u>87 305</u>

You are required to:

1.1 Record the above transactions in your books of account.

- 1.2 **Transfer whatever you are entitled to your business account and account to your Correspondent.** (40)

QUESTION 2 [10]

- 2.1 **How often must a practice submit a statement on its trust accounts?** (1)
- 2.2 **Within what period must the report be submitted?** (2)
- 2.3 **To whom must the report be submitted?** (1)
- 2.4 **Who should compile the report?** (1)
- 2.5 **Are the fees incurred in obtaining this report recoverable and from whom?** (1)
- 2.6 **How must a practice deal with a Trust Creditor debit balance?** (3)
- 2.7 **Must a referral Legal Practitioner apply for a Fidelity Fund Certificate?** (1)

QUESTION 3 [15]

Your business cashbook balance on 28 February 2023 reflected a balance of R42 000.00. The bank statement balance on the same date was R72 372.00.

A comparison of the cashbook and the bank statement for February 2023 reveals the following:

1. A payment of R11 490.00 received from a client has been incorrectly entered into the cashbook as R11 940.00.
2. Bank charges in the amount of R1 500.00 has been debited to your bank account.
3. A stop order payment of R69 200.00 received earlier from a client has been reversed by the bank.
4. A trust deposit of R19 112.00 has erroneously been credited to the business account.
5. Interest of R4 100.00 on the favourable bank balance has not been entered in the cashbook.
6. A payment made by the firm in the amount of R1 120.00 has been incorrectly entered in the cashbook as R1 210.00.

7. A payment received from a client on 28 February 2023 in the cash amount of R19 200.00 is not reflected on the bank statement.
8. A payment in the amount of R2 500.00 made by the firm from the trust account appears on the business bank statement.
9. An EFT payment in the amount of R99 920.00 received from a client in respect of your account has not been entered in the cashbook.

You are required to prepare:

3.1 The supplementary cashbook for February 2023.

3.2 The bank reconciliation statement for February 2023.

(15)

QUESTION 4

[35]

On 1 July 2022 your trust cashbook balance was R10 000 000.00. On the same date your business cashbook reflected a negative balance of R56 000.00.

Your firm is appointed as the bond cancellation attorney and the transferring attorney in terms of an agreement of sale / purchase of an immovable property sold by your client Mrs Uptown to the purchaser Mr Downtown.

The estate agent provides you with the sale agreement together with his pro-forma invoice for commission of R161 000.00 (inclusive of VAT), which amount is payable by the Seller in terms of the mandate agreement.

The agreement makes provision for the purchase price of R2 000 000.00 to be paid by the Purchaser by way of a deposit of R200 000.00 and the balance to be paid on registration of transfer.

1. Mr Downtown pays the deposit of R200 000.00 to you by EFT.
Mr Downtown instructs you in writing to invest the deposit on **his** behalf (LPFF Section 86(4)). You invest the money at Pro-Bank.
2. Mrs Uptown transfers R22 000.00 to you per EFT to cover the costs of the Electricity Compliance Certificate, rates clearance figures payable to the City of Tshwane and bond cancellation costs.
3. You pay R2 000.00 to Sparky Electricians on instructions of the Seller (your client, Mrs Uptown) in regard to the issuing of the Electricity Compliance Certificate required by law.
4. You receive a guarantee from Pro-Bank for R 1 800 000.00.

5. Mr Downtown pays your pro-forma statement of account in respect of the transfer costs as follows:
- | | |
|---------------|-------------------|
| Transfer fees | R40 000.00 |
| Transfer duty | <u>R50 250.00</u> |
| Total | R90 250.00 |
6. You pay R15 000.00 to the City of Tshwane in respect of the clearance figures and you obtain the Clearance Certificate.
7. You also pay R50 250.00 to SARS in respect of the transfer duty and you obtain the transfer duty receipt.
8. The transfer is registered. You receive interest, in the amount of R2 900.00, from Pro-Bank. You pay the relevant amounts to the beneficiaries.
9. You receive a payment of R1 800 000.00 from Pro-Bank in respect of the guarantee.
10. You also call up the Trust Bank investment and receive interest in the amount of R8 500.00. You pay the interest to the beneficiary thereof.

You are required to:

- 4.1 Record all the entries in your books of account.**
- 4.2 Transfer whatever you are entitled to your business bank account.**
- 4.3 Ignore VAT implications for purposes of this question.**
- 4.4 It is not necessary to prepare final statements of account to Mrs Uptown or Mr Downtown.**
- 4.5 Calculate the balance of your Business cashbook and show your opening balance for the next month.**

(35)

- THE END -
