

# ATTORNEYS' EXAMINATION

## PART 4

### LEGAL PRACTITIONERS' BOOKKEEPING

20 FEBRUARY 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 and 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****[15]**

Describe and explain the use and purpose of a Journal. Describe the purpose of and entries you would make in the Fees, Transfer, Trust and Business Journals and the narrations (if any) to support the entries.

**QUESTION 2****[20]**

You are required to record the following transactions in **fully narrated journal entries**. In doing so you are to **identify the journals** that you would use.

- 1 You charge your client a fee of R5 000 for professional services plus Vat at 15%. You are a registered Vat vendor.
- 2 Your bookkeeper has mistakenly credited Sipho's Trust ledger account with R8 000 instead of Madaline's Trust ledger account. How would you rectify the error?

**QUESTION 3****[15]**

Your business cashbook balance on 30 June 2019 reflected a balance of R40 000. The bank statement balance on the same date was R5 000.

A comparison of the cashbook and the bank statement for June 2019 reveals the following:

1. Interest of R3 900 on the favourable balance has not been entered in the cashbook.
2. A deposit of R25 360 has been incorrectly entered into the cashbook as R25 630.
3. A deposit of R11 000 made on 28 June 2019 is not reflected on the bank statement.
4. An EFT of R45 000 from a client has not been entered in the cashbook.
5. A debit order in favour of Nedbank for R28 236 appears on the bank statement only.
6. Bank charges in the amount of R2 000 have been debited to your bank account.
7. An EFT payment to a client for R14 000 on 30 September 2018 scheduled for payment on 1 July 2019 appears only in the cashbook.
8. A deposit of R41 000 which was entered in the cashbook does not appear on the bank statement.
9. A trust deposit of R12 606 has erroneously been credited to the business account.

**You are required to prepare:**

- a. The supplementary cashbook for June 2019.
- b. The bank reconciliation statement as at 30 June 2019.

**QUESTION 4****[40]**

You are consulted by Mr Mabuza who is selling his property to Ms Baloyi for R10 million.

He instructs you to prepare a Sale Agreement. The essential terms of the sale are:

- a) Ms Baloyi will pay a deposit of R1 million on signature.
- b) Ms Baloyi will pay the transfer costs of R500 000 of which R300 000 is transfer duty.
- c) You will invest the R1 million deposit in an interest-bearing account for her benefit.
- d) You will arrange a second bond for Ms Baloyi for R2 million from your client, Ms Lender. You hold R3 million on behalf of Ms Lender in your trust account.
- e) Ms Baloyi has arranged a first bond with Capitec Bank for R7 million.

The agreement is signed on the 15<sup>th</sup> July 2019.

1. On the 16<sup>th</sup> July, you receive two payments by EFT from Ms Baloyi: R1 million deposit and R500 000 for the pro forma costs of transfer. You invest R1 million with ABSA Bank.
2. On the 17<sup>th</sup> July, you pay the transfer duty to SARS.
3. On the 19<sup>th</sup> July, you receive a Bank Guarantee from Capitec Bank for R7 million.
4. On the 25<sup>th</sup> July, you receive the Transfer Duty receipt from SARS.
5. On the 26<sup>th</sup> July the documents are lodged in the Deeds Office.
6. On the 2<sup>nd</sup> August, the transfer and bonds are registered.
7. You receive R1 100 000 from ABSA Bank.

**You are required:**

- a) to record all the accounting entries in your books of account;
- b) pay all beneficiaries;
- c) account to Ms Baloyi;
- d) transfer appropriate monies from Trust to Business (ignore VAT).

**QUESTION 5****[10]**

- 5.1 May an attorney withhold the banking of trust money to pay cash to a trust creditor. (1)
- 5.2 How does an attorney pay bail in a criminal matter when he/she holds the funds in the trust account. (3)
- 5.3 How often is an attorney obliged to:
  - 5.3.1 do a reconciliation statement; (1)
  - 5.3.2 extract a Trust Trial balance; (1)
  - 5.3.3 have a trust account audit. (1)
- 5.4 Under what circumstances may business monies be deposited into the Trust account and what action should be taken thereafter. (3)

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**- THE END -**