

ATTORNEYS' EXAMINATION

PART 4

LEGAL PRACTITIONERS' BOOKKEEPING

18 MARCH 2021

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 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**[45]**

You are instructed by your Correspondent ABC attorneys to act on behalf of client Red. You agreed to accept the instructions and give the Correspondents an allowance of 20% on fees.

You proceed as follows:

1. You issue a summons with Red as the Plaintiff and Mrs Green as the Defendant. The cause of action is "Monies lent and Advanced" and the claim is for R750 000.
2. You debit a fee of R3 000.
3. You hand the summons to the Sheriff who serves the summons on Green and sends you an invoice for R1 500.
4. You pay the Sheriff R1 500.
5. You thereafter proceed with Default Judgment and debit a fee of R6 000.
6. You issue a warrant of execution and debit a fee of R6 000.
7. You hand the writ to the Sheriff who serves the Writ.
8. The Sheriff send a *Nulla Bona* return together with an invoice of R3 000.
9. You pay the Sheriff R3 000.
10. Mrs Green calls on you and makes an arrangement to settle the claim and costs with an initial payment of R100 000 and thereafter monthly instalments of R100 000 until the claim is settled. Mrs Green EFT's the down payment of R100 000. You debit collection commission in the amount of R1 000.
11. You are also instructed by your Correspondent to register a Company for Red.
12. You draft an MOI and debit a fee of R15 000.
13. You pay the registration fee of R5 000. The company is duly registered.

You are required to:

- (a) Record all the entries in all your books of account – 15% Vat applies on all charges.
- (b) Account to your Correspondent.
- (c) Draft the Statement of Account.

QUESTION 2**[15]**

Your business cashbook balance on 28 February 2021 reflected a favourable balance of R25,000.00. The bank statement on the same date reflected an unfavourable balance of R15,000.00. A comparison of the cashbook and the bank statement reveals the following:

1. A deposit of R18,269.00 has been incorrectly entered in the cashbook as R18,629.00.
2. Bank charges in the amount of R500.00 has been debited to your bank account.
3. Interest of R1,200.00 on the unfavourable balance has not been entered in the cashbook.
4. An EFT payment to a business creditor, made on 27 February 2021, in the amount of R21,600.00, scheduled for payment on 1 March 2021, only appears in the cash book.
5. An EFT payment by a client, in respect of your statement of account, in the amount of R38,500.00, made on 28 February 2021, only appears in the cash book.
6. A trust payment, in the amount of R14,990.00 has erroneously been debited to the business account.
7. An EFT payment from a client, in the amount of R15,100.00 has not been entered in the cashbook.
8. A stop order payment, in respect of your short term insurance, in the amount of R1,150.00, is not reflected in the cashbook.
9. A debit order payment of R20,000.00, in payment of your monthly office rent, is not reflected in the cashbook.

You are required to prepare:

- (a) Supplementary Cash book for February 2021.
- (b) The bank reconciliation statement for February 2021.

QUESTION 3**[40]**

You specialise in conveyancing at your law firm. After consultation with your clients, you receive the following deposits:

- R650 000 cash deposit from Madonna
- R300 000 cash deposit from Prince
- R200 000 cash deposit from Wayne
- R150 000 cash deposit from Bruno

- R500 000 cash deposit from Sibiya who further instructs you to purchase shares to the value of R186 000 in Bitcoin Corporation LTD

Madonna gives you a written mandate to invest her deposit at First Bank. You comply with this mandate.

You decide to invest R100 000 of funds held in Trust in a Trust investment account at Second Bank.

Sibiya instructs you to sell the shares held at Bitcoin Corporation LTD and you receive R205 000.

You withdraw all trust investments and receive R655 000 from First Bank and R110 000 from Second Bank.

You pay the interest to the respective beneficiaries.

You are required to:

- 3.1 Record all the above transactions in your Trust cashbook and Ledger Accounts; (33)
- 3.2 Extract a list of Trust balances as required by the Legal Practice Act & Rules; (6)
- 3.3 Indicate whether you are holding sufficient funds in your Trust investment accounts to cover your Trust liabilities. (1)

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