

**UNIVERSITY OF SWAZILAND**

**FACULTY OF SOCIAL SCIENCE**

**DEPARTMENT OF LAW**

**FIRST SEMESTER EXAMINATION PAPER**

**DECEMBER 2011**

**ACADEMIC YEAR 2011/2012**

PROGRAMME OF STUDY	:	BACHELOR OF LAWS
YEAR OF STUDY	:	YEAR THREE (3)
TITLE OF THE PAPER	:	ACCOUNTING FOR LAWYERS
COURSE CODE	:	L307 (M) 2011
TIME ALLOWED	:	THREE (3) HOURS
INSTRUCTIONS	1	There are FIVE (5) questions, <u>ANSWER ALL.</u>
	2	Begin the solution to each question on a new page.
	3	The marks awarded for a question are indicated at the end of each question.
	4	Show your necessary workings.

**NOTE:** You are reminded that in assessing your work, account will be taken of accuracy of the language and the general quality of expression, together with layout and presentation of your answer.

**THIS PAPER IS NOT TO BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVIGILATOR / SUPERVISOR.**

**SPECIAL REQUIREMENT: CALCULATOR**

**QUESTION 1:**

The bookkeeper of Nelisiwe Zwane Attorneys extracted the following trial balance from the general ledger of the practice at 28 February 2011:

		Dr.	Cr.
	Note	E	E
Office furniture	1	30 000	
Computer equipment	2	45 000	
Clients control		40 800	
Business bank		29 100	
Creditors control			11 100
Capital, Nelisiwe Zwane: 1 March 2010			67 500
Drawings, Nelisiwe Zwane		22 800	
Fees earned			304 800
Printing and stationery		9 300	
Rent		54 000	
Insurance	3	5 400	
Salaries and wages		141 900	
Telephone		5 100	
		<u>383 400</u>	<u>383 400</u>

**Notes:**

1. The office furniture was acquired on 1 March of the previous year and provision for depreciation must be provided at 10% per annum (straight-line basis).
2. The computer equipment was acquired on 1 September of the previous year and provision for depreciation must be provided at 33.3% per annum (straight-line basis).
3. Included in the insurance of E5 400 is an amount of E900, which is insurance for the months of March and April of the current year, which was paid on 2 February, 2011.

**Required:**

- (A) Prepare the appropriate journal entries in respect of the adjustments required in terms of notes 1 to 3. (3 marks)
- (B) Prepare a post-adjustment trial balance as at 28 February 2011. (10 marks)
- (C) Prepare an income statement for the year ended 28 February 2011. (5 marks)
- (D) Prepare a balance sheet as at 28 February 2011. (8 marks)

(Question 1 - Total marks: 26)

**QUESTION 2:**

During its first month of operation, Sibusiso Gamedze Attorneys' business completed the following transactions:

**2011**

- October 2      Started business with E60,000 cash and E300,000 in the bank.  
                     Paid office rent for January 2010 by cash amounting to E11,100.  
                     Bought books for his law library for E27,000 by cash.  
                     Purchased office equipment on credit from PC Systems Swaziland (Pty) Ltd for E90,000.  
                     Bought computers from Computer Options for E27,000 by cheque.  
                     Bought all-in-one photocopiers/printers/fax on credit from Omega Technologies (Pty) Ltd for E12,000.
- October 11      Rendered services for cash to Joshua Zewula amounting to E72,000.  
                     Provided legal services on credit to a client, Mancoba Tsambokhulu and billed him E27,000.
- October 18      Received commission amounting to E30,000 in respect of a property transaction from Mbali Springle who paid cash.
- October 20      Repaid part of the outstanding balance to PC Systems Swaziland (Pty) Ltd by cheque amounting to E57,000.
- October 22      The client, Mancoba Tsambokhulu paid cash amounting to E16,200 as part-payment for the legal fees billed.
- October 28      Paid E4,800 to Omega Technologies (Pty) Ltd by cheque.
- October 29      Withdrew an E24,000 cheque for private use.  
                     Paid E15,000 salary for his personal assistant by cheque.

**Required:**

- A. Record all transactions for the month of October 2011 into the proper accounts in the General Ledger and balance off each account at the end of the month (October 31, 2011).  
**Journal entries are not required.** (36 marks)
- B. Extract a Trial Balance at October 31, 2011. (8 marks)
- C. State **three** purposes of preparing a trial balance. Name **five errors not revealed** by a trial balance. (8 marks)

(Question 2 - Total marks: 52)

**QUESTION 3**

The following information relates to Mxolisi Magongo Attorneys:

1. The bank account in the firm's business ledger on January 31, 2011 reflected a debit balance of E50, 004.
2. Before commencing the task of reconciling the bank account in the ledger with the bank statement, the total of the business cash receipts during February 2011 was E117, 778 and the total of the business payments during February 2011 was E169, 778.
3. The business bank statement showed a credit balance of E14, 904 as at February 28, 2011.
4. Cheque 003 for E4, 950 has been entered twice in the cash book.
5. The following cheques that appear on the January 2011 business bank reconciliation statement did not appear on the February 2011 bank statement:
  - Cheque number 001 – E1, 682 drawn on July 31, 2010 in favour of a creditor, Nokukhanya Sigudla.
  - Cheque number 002 – E1, 803 drawn on November 27, 2010 in favour of a creditor, Dennis Sifundza.
6. The following business cheques issued during February 2011 have not yet been presented to the bank for payments:
  - Cheque number 016 – E25,959
  - Cheque number 023 – E3,600
7. The bank paid inadvertently a trust cheque for E18, 400 from the firm's business bank account.
8. A cheque for E6, 000 received from a debtor, Nomcebo Sibiya was deposited on February 27, 2011 and was dishonoured on presentation. Fee charged by the bank for this returned cheque amounted to E425.
9. Interest paid to the firm of E130 and Bank charges of E349 appear in the bank statement.
10. A cheque for E1, 500 that was issued to Sheriff Majahonke Sibandze has been lost and must be written back.
11. A direct payment of E6, 000 from a debit order by a debtor of the firm, Bawinile Shongwe appears on the bank statement but not yet in the cash book.
12. Deposits recorded by the firm of E16, 200 are not reflected in the bank statement.
13. An amount of E12, 750 deposited by yourself into your trust account has been credited to your business account by error.
14. Bank charges of E300 in respect of the trust bank account appear in the business bank account.
15. A cheque drawn for E300 on the firm's business bank account is shown in the bank statement as having been drawn as E3, 000.
16. A cheque of E9, 735 issued to the firm's landlady, Talatona Sacolo for rent on February 2, 2011 was incorrectly recorded in the firm's cashbook as E10, 275.
17. Cheque 009 in respect of water and electricity was originally posted incorrectly as E1, 050 instead of E1, 250 in the cash book.
18. The monthly stop order of E6, 600 in respect of vehicle lease is reflected in the bank statement but not yet in the cash book.

19. An electronic transfer of E15, 000 in payment of the account of a client, Mbali Nzima appears on the bank statement but not yet in the cash book.
20. The bank statement shows a cheque printing fee of E270.
21. The bank inadvertently charged the firm's bank account for another law firm's bank fees amounting to E570.
22. The law firm deposited a E5, 000 cheque from a customer, Mlondi Nsibandze into its cheque account. A few days later the cheque was returned with the notation "account closed" and the bank deducted the amount on the bank statement.

**Note : Your instructions to the bank are to debit your business account with the trust account bank charges.**

**Required:**

- (A) Prepare a supplementary cash book for February 2011. (10 marks)
- (B) Prepare a bank reconciliation statement on February 28, 2011. Start your answer with the balance as per bank statement. (7 marks)
- (C) Give 3 purposes of performing bank reconciliation. (3 marks)

**(Question 3 - Total marks : 20)**

**QUESTION 4:**

- (A) Briefly state why a provision for doubtful debts is created. (3 marks)
- (B) What is a control account? Name **three** errors that **cannot be detected** when the total of the balances of the list of clients and list of trust creditors does not agree with the balances of the respective client control- and the trust creditors control accounts. (5 marks)
- (C) You and your friend have decided to go into partnership in opening a new Law Firm. Give **two** advantages and **two** disadvantages of running the practice as a partnership. (4 marks)

**(Question 4 - Total marks : 12)**

**QUESTION 5:**

- (A) In protecting the trust account, section 78(1), section 78(2)(a) and section 78(2A) of the Attorneys Act No 53 of 1979 stipulate how attorneys should handle and account for clients' money held under their trust. Answer **True** or **False** in respect of each statement, giving a brief reason for your answer if it is considered necessary.
1. Interest on a section 78(2)(a) investment accrues to the relevant trust creditor.
  2. The accounting records of a practitioner must be maintained for a period of five years from the date of the last entry.
  3. A list of trust creditors must be extracted monthly and balanced within one month thereafter.
  4. Accounts received in advance to cover fees and disbursements may be deposited in the firm's business banking account.

5. A debit balance on a particular account in the trust ledger always represents an irregular situation.
6. All interest payable to the Attorneys Fidelity Fund must be paid within three months of the firm's year end.
7. The accountant of a firm, whose material queries relating to the firm's accounting records have not been satisfactorily dealt with by the firm, must report the matter to the council.
8. An attorney who carries on an investment practice may place an investment for his or her client in an unlisted company.
9. In terms of the buffer system, all bank charges relating to the trust bank account are debited to the business bank account.
10. A firm must account to its client in writing after performance of its mandate.

(Question 5 – Total marks : 10)

**END**

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