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**UNIVERSITY OF SWAZILAND**  
**FACULTY OF SOCIAL SCIENCE**  
**DEPARTMENT OF LAW**  
**MAIN EXAMINATION QUESTION PAPER**  
**APRIL 2014**  
**ACADEMIC YEAR 2013/2014**

**PROGRAMME OF STUDY** : **BACHELOR OF LAWS**

**YEAR OF STUDY** : **YEAR THREE (3)**

**TITLE OF THE PAPER** : **ACCOUNTING FOR LAWYERS**

**COURSE CODE** : **L307 (M) 2014**

**TIME ALLOWED** : **THREE (3) HOURS**

**TOTAL MARKS** : **100**

**INSTRUCTIONS**

- 1 **There are four (4) questions, answer all.**
- 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.

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**SPECIAL REQUIREMENT: CALCULATOR**

**QUESTION 1:**

During its first month of operation, Hillary Gwata Attorneys' business completed the following transactions:

**2014**

- January 2 Started business with E100,000 cash and E500,000 in the bank.  
Paid office rent for January 2014 by cash amounting to E7,400.  
Bought books for her law library for E45,000 by cash.  
Purchased office equipment on credit from City Office Machines (Pty) Ltd for E24,000.  
Bought a computer for E6,500 by cheque.  
Bought an all-in-one photocopier/printer/fax on credit from Computronics (Pty) Ltd for E3,800.
- January 11 Rendered services for cash to Tenele Bhembe amounting to E21,000.  
Provided legal services on credit for a client, Goodness Dlamini and billed her E13,000.
- January 18 Received commission amounting to E13,500 in respect of a property transaction for Sifiso Dlamini who paid cash.
- January 20 Repaid part of the outstanding balance to City Office Machines (Pty) Ltd by cheque amounting to E8,000.
- January 22 The client, Goodness Dlamini paid cash amounting to E7,800 as part-payment for the legal fees billed.
- January 28 Paid E900 to Computronics (Pty) Ltd by cheque.
- January 29 Withdrew an E5,900 cheque for private use.  
Paid E4,600 salary for her personal assistant by cheque.

**Required:**

A. Record the above transactions for the month of January 2014 in the proper accounts in the General Ledger and balance off each account at the end of the month (January 31, 2014).  
**Journal entries are not required. (36 marks)**

B. Extract a Trial Balance at January 31, 2014. **(8 marks)**

**(Question 1 - Total marks: 44)**

**QUESTION 2**

The following information relates to the partnership of Ndabenhle and Machawe Attorneys after the income account but before the appropriation section has been prepared:

1. Balances/totals at 28 February 2014:

Capital:	Ndabenhle	150,000
	Machawe	112,500
Current accounts:	Ndabenhle	22,800 dr
	Machawe	44,340 cr
Drawings:	Ndabenhle	36,000
	Machawe	23,400
Net profit for the year		555,900

2. Additional information:

The partnership agreement stipulates:

2.1 Interest on fixed capital accounts of each partner at 12 % per annum.

2.2 Interest on opening balances of the current accounts at 10% per annum.

2.3 Interest on drawings for the year:

Ndabenhle E2,996

Machawe E1,011

2.4 Profits / loss share between Ndabenhle and Machawe in the ratio of 2 : 3 respectively.

2.5 A salary of E4,000 and E3,600 per month to Nbabenhle and Machawe respectively.

**Required:**

The following in the books of Ndabenhle and Machawe Attorneys:

1. The appropriation section of the income statement for the year ended 28 February 2014.
2. The current accounts of the partners in the general ledger.

**(Question 2 - Total marks: 17)**

**QUESTION 3**

The bookkeeper of Mlindeli Magagula Attorneys extracted the following trial balance from the general ledger of the practice at 28 February 2014:

		Dr.	Cr.
		E	E
Office furniture	1	60 000	
Computer equipment	2	90 000	
Clients control		81 600	
Business bank		58 200	
Creditors control			22 200
Capital, Mlindeli Magagula: 1 March 2013			135 000
Drawings, Mlindeli Magagula		45 600	
Fees earned			609 600
Printing and stationery		18 600	
Rent		108 000	
Insurance	3	10 800	
Salaries and wages		283 800	
Telephone		10 200	
		<u>766 800</u>	<u>766 800</u>

**Notes:**

- 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).
- 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).
- Included in the insurance of E10 800 is an amount of E1 800, which is insurance for the months of March and April of the current year, which was paid on 2 February, 2014.

**Required:**

- Prepare the appropriate journal entries in respect of the adjustments required in terms of notes 1 to 3. (3 marks)
- Prepare a post-adjustment trial balance as at 28 February 2014. (10 marks)
- Prepare an income statement for the year ended 28 February 2014. (5 marks)
- Prepare a statement of financial position as at 28 February 2014. (8 marks)

**(Question 3 - Total marks: 26)**

**QUESTION 4**

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(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 of the following statements, giving a brief reason for your answer if it is considered necessary:

1. An attorney who carries on an investment practice may place an investment for his or her client in an unlisted company.
2. 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.
3. A debit balance on a particular account in the trust ledger always represents an irregular situation.
4. A list of trust creditors must be extracted monthly and balanced within one month thereafter.
5. A firm must account to its client in writing after performance of its mandate.
6. All interest payable to the Attorneys Fidelity Fund must be paid within three months of the firm's year end.
7. Accounts received in advance to cover fees and disbursements may be deposited in the firm's business banking account.
8. Interest on a section 78(2)(a) investment accrues to the relevant trust creditor.
9. The accounting records of a practitioner must be maintained for a period of five years from the date of the last entry.
10. In terms of the buffer system, all bank charges relating to the trust bank account are debited to the business bank account. (5 marks)

(B) Write short notes on:

- (i) Correspondent Attorney (2 marks)
- (ii) Conveyancing Transactions (2 marks)
- (iii) What requirements should be met before a transfer is made from the trust to the business account? Explain. (4 marks)

**(Question 4 – Total marks : 13)**

===== **END OF PAPER** =====