

**NATIONAL UNIVERSITY OF LESOTHO**

**FACULTY OF LAW**

**LL.B SUPPLEMENTARY EXAMINATION**

**L3411 – ACCOUNTING FOR LAWYERS**

**AUGUST 2023**

**MARKS: 100**

**3 HOURS**

**INSTRUCTIONS:**

1. Answer any **FOUR (4)** questions.
  2. Answers **MUST** be legibly written and lines clearly drawn out as necessary, with proper labelling.
-

**QUESTION ONE**

Choose the letter of the option that best agrees with the statement or answers the question. Where necessary, briefly write out your answer.

1. Accounting is a system that is meant for-

- (a) Measuring business activities
- (b) Processing of information into discrete financial reports
- (c) Making financial reports available for decision-makers
- (d) All of the above
- (e) None of the first three

2 Marks

2. Management accounting is useful for decision making to

- (a) Prospective investors in a business
- (b) Board of directors
- (c) Executive management
- (d) (a) and (b)
- (e) (b) and (c)

2 Marks

3. The accounting principle that states businesses and owners should be accounted for separately.

- (a) Business entity concept
- (b) Going concern concept
- (c) Money measurement concept
- (d) Accounting period concept
- (e) None of the above

2 Marks

4. A business that is facing an imminent bankruptcy/insolvency would violate the:

- (a) Business entity concept
- (b) Going concern concept
- (c) Money measurement concept
- (d) Accounting period concept
- (e) All of the above

5. What accounting principle would management of a company be in breach of if such management, in the company's annual report, withheld

information that the company is likely not to be able to recover a debt in an amount of tens of millions of Maloti from one of its customers?

2 Marks

6. The double entry system of financial accounting normally results in which of the following balances on the ledger accounts?

*Debit balances*

*Credit balances*

- |                                       |                                   |
|---------------------------------------|-----------------------------------|
| (a) Assets and revenues               | liabilities, capital and expenses |
| (b) Revenues, capital and liabilities | assets and expenses               |
| (c) Assets and expenses               | liabilities, capital and revenues |
| (d) Assets, expenses and capital      | liabilities and revenues          |
| (e) Assets and liabilities            | capital and expenses              |

2 Marks

7. Which accounting principle allows a company to ignore changes in the purchasing power of the Loti over time?

2 Marks

8. When estimating unearned revenues, what principle applies?

- (a) Conservatism principle
- (b) Historical cost principle
- (c) Full disclosure principle
- (d) Consistency principle
- (e) None of the above

2 Marks

9. Switching accounting principles every year would violate the:

- (a) Conservatism principle
- (b) Historical cost principle
- (c) Full disclosure principle
- (d) Consistency principle
- (e) None of the above

2 Marks

10. The creative director of innovation hub of a large company who is personally responsible for numerous inventions and innovations is not reported as an asset on the company's balance sheet. State in terms of which accounting principle the director is not reported as an asset on the company's balance sheet.

2 Marks

11. Giving one example, explain what a contra account is and what purpose it serves.

**5 Marks**  
**[25 MARKS]**

## QUESTION TWO

Zisazonke & Associates, Attorneys-at-Law, had the following transactions for the month of July 2023:

- 2 Ms Zisazonke invested M70,000 into a bank account, which she opened in the name of the business.
- 3 M30,000 was acquired as a loan from Standard Lesotho Bank. Interest of 9% per annum was charged on the loan. On the same day, she transferred M20,000 from the business account into an investment account she opened for the firm at Stanlib Lesotho at the interest rate of 7% per annum.
- 4 She bought M40,000 worth of books from Juta (Lesotho). An amount of M12,000 was paid immediately by cheque and it was agreed that the balance would be paid over the following months.
- 5 She contributed her car valued at M50,000 to the business.
- 8 She purchased a desktop computer for the secretary, a laptop for herself for business purposes and got the office a printer and scanner from Future Computers, all totalling M26,500. She paid a deposit of M5,000, with the balance payable over six months.
- 9 She successfully argued a case in the High Court for T. Tšabatšaba. Billed him M23,000.
- 11 Completed a lease transfer on behalf of R. Leupetse, issuing a debit note in the amount of M15,000.
- 15 Bought a present worth M5,500 for her partner for the partner's birthday and paid by EFT, using the business' bank account.
- 19 She argued a bail application for S. Mapupe and billed her M2,000.
- 25 Paid salaries of M4,500, M5,500 and M12,000 to a messenger, receptionist/office administrator and herself.
- 26 Completed an uncontested divorce case for KT Wife. Billed her M20,100.
- 27 Paid M2,225 on the loan, inclusive of interest.

- 28 Paid rent of M7,000 for the premises used by the firm. The monthly rent is M3,500.
- 29 Paid for office telephone and WiFi to Telekom in an amount of M1,200.
- 30 Received M10,000 from T. Tšabatsaba, M2,000 from S. Mapupe and M10,100 from KT Wife.

**REQUIRED:**

Record the above transactions in the relevant ledgers and balance off the resultant accounts.

**[25 MARKS]**

**QUESTION THREE**

The following trial balance was extracted from the general ledger of KTZ Attorneys at 31<sup>st</sup> March 2023

	M	M
Office furniture	50,000	
Clients control	25,000	
Business bank	17,500	
Creditors control		34,700
Capital		15,000
Drawings	20,000	
Fees		140,300
Printing and stationery	1,500	
Rent	26,000	
Telephone	2,400	
Insurance	3,500	
Bank charges	770	
Salaries and wages	42,100	
General expenses	1,230	
	190,000	190,000

Notes:

- a. The office furniture was acquired on 1 April 2022. Depreciation must be provided for at 10% per annum on a straight-line method.
- b. Included in rent of M26,000 is an amount of M2,000 which has been prepaid.
- c. A salary of M1,000 in respect of March 2023 was not paid at the end of March.

You are required:

1. prepare the appropriate journal entries in respect of the adjustments required under the notes above.

**6 Marks**

2. Prepare an income statement for the year ended 31<sup>st</sup> March 2023

**7 Marks**

3. Prepare a balance sheet as at 31<sup>st</sup> March 2023.

**12 Marks**

**[25 MARKS]**

#### **QUESTION FOUR**

The following information was obtained from the books of Sekapi Attorneys Inc after comparing the cash book with the bank statement on 31 July 2023:

1. Balance on bank statement, M22,100 credit.
2. Balance in general ledger bank account on 1 May, M8,300 debit.
3. Pencil total of cash receipts journal, M26,456.
4. Pencil total of cash payments journal, M16,438.
5. A deposit of M4,000 on the bank statement from a client, R Matolo, does not appear in the cash receipts journal.
6. Bank charges on bank statement amount to M463.
7. Interest received on bank statement, M125.
8. The following cheques were written on 27 May but were not on the bank statement: cheque no. 901 for M450 and cheque no 904 for M1,570.
9. An amount of M550 was recorded in the cash receipts journal instead of the cash payments journal.
10. Insurance policy premium in the amount of M900 was paid by debit order.

11. No entry has been made in the firm's books in respect of a cheque returned by the bank marked "refer to drawer". The cheque was for M280 and had been received from M Mosaoja in settlement of his account.
12. The bank had erroneously credited the firm's account with an amount of M380.

You are required to prepare the following:

- (i) An adjusted general ledger bank account from the information above, and
- (ii) A bank reconciliation statement as at 31<sup>st</sup> July 2023, starting with the balance as per the adjusted general ledger.

**12 Marks**

**13 Marks**

**[25 MARKS]**

### QUESTION FIVE

a) Answer true or false in respect of each statement, giving a brief reason for your answer if you consider it necessary:

- i. Moneys received in advance from clients to cover fees and related disbursements may be deposited in the firm's business banking account.
- ii. According to the Legal Practitioners Act 1981 and the Law Society Rules 2012, a legal practitioner is only required to keep books of account in relation to trust moneys.
- iii. A debit balance on any account in the trust ledger always represents an irregular situation.
- iv. A debit balance on the trust bank statement is permissible if the attorney can explain it.
- v. Trust moneys do not form part of the assets of the firm and cannot be attached by the firm's creditors.

**10 Marks**

b) With the support of relevant authorities, briefly discuss the significance of separation of trust books from business books for a legal practitioner.

**10 Marks**

c) Highlight key requirements for a withdrawal to be made out of a trust bank account.

**5 Marks**

**[25 MARKS]**



**QUESTION SIX**

KTZ Attorneys, a firm with a significantly growing annual turnover, suspects that it might already be liable or will soon be liable for registration as a VAT vendor under the VAT Act 2001.

With the support of relevant authorities, write a comprehensive brief for the firm, highlighting key requirements for registration as a VAT vendor, explaining the requisite accounts that must be maintained in the firms records and highlighting typical transactions that are subject to VAT and those not typically subject to VAT for a law firm.

**[25 MARKS]**