

NATIONAL UNIVERSITY OF LESOTHO

FACULTY OF LAW

LL.B EXAMINATION

L3411 – ACCOUNTING FOR LAWYERS

MAY 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

Chabile starts to practise as a legal practitioner under the name Chabile Chambers Inc. Having just graduated from NUL and without money, she negotiates and obtains a loan from Nedbank for M50,000 on behalf of the firm. Receipt number 101 was prepared.

The firm's transactions for the month of April 2023 are set out below:

- 3 Bought office furniture for M5,500 by cheque number 001.
- 5 Bought stationery on credit from Excellent Stationaries at The First Mall for M1,250 per invoice number 505.
- 8 M Molatoli gives instructions for a company to be registered and pays a deposit of M2,800. Of that amount, M1,000 is for consultation undertaken. Receipt No. 102 issued.
- 10 M Molatoli's company has been registered and her account is debited with fees of M5,500. Debit note DB1 issued.
- 14 Successfully argues a spoliation application for R Ntiti. Debit note DB2 issued for M18,700.
- 15 Bought law books for M25,500, paying M8,300 to Juta (Lesotho) as deposit. Invoice No. 601 received and cheque No. 002 signed.
- 17 Transferred M15,000 she got as a gift from her mother from her personal bank account at FNB into the firm's account. Receipt No. 103 issued.
- 25 Completed a shareholders' agreement for Step-Ahead (Pty) Ltd. Issued debit note DB3 for M15,000.
- 26 Paid herself monthly remuneration of M9,000, her office assistant and clerk M1,900 and M1,400, respectively. Payments were made from a single cheque number 003.
- 27 Paid rent in the amount of M6,400 per cheque number 004. Monthly rent is M3,200. On the same day paid telephone and Wi-fi usage to Eko-Tel in the amount of M1,300. EFT Ref No. 5406.

- 28 M Molatoli settles her account. Receipt number 104 issued. On the same day, Step-Ahead (Pty) Ltd settles its account. Receipt number 105 issued.
- 30 Bought her mom a birthday present for M1,500. EFT Ref. No. 5407.

Disregarding any trust issues, you are required to:

- (a) Record the above information in the appropriate journals.

15 Marks

- (b) Transfer the information by postings to the subsidiary and general ledger accounts as appropriate.

10 Marks

[25 MARKS]

(see overleaf)

QUESTION TWO

Ramathabana Attorneys had the following balances in their records at the end of their reporting period, 31st March 2023:

	Debit	Credit
	M	M
Land and buildings	250,000	
Motor vehicle	103,000	
Investments	120,000	
Furniture	40,000	
Clients Control	10,000	
Bank	20,000	
Capital		434,000
Fees		330,000
Library	160,000	
Fees discounts	8,000	
Rent income		27,000
Wages & salaries	96,000	
Communication expense	18,000	
Interest income		9,000
Insurance expense	4,500	
Creditors control		30,000
	<u>830,000</u>	<u>830,000</u>

Additional information:

1. The investment was made for a year, but interest received was only for nine (9) months.

2. No depreciation has yet been written off for the year. It is the firm's policy to write off depreciation on furniture, at 10% per annum on a declining balance method.
3. One client, K Keketso, paid an amount of M3,000 on the last day of the year and this was not captured on time.
4. Rent income includes M5,400 for the three months of the reporting year beginning on 1st April, 2023.
5. Wages & salaries includes M2,000 which was paid as an advance salary to one employee.
6. It was realised that M500 had not been factored in insurance premiums.

You are required to:

- (a) Prepare the necessary journal entries for the above adjustments.

15 Marks

- (b) Prepare an adjusted trial balance following the adjustments above.

10 Marks

[25 MARKS]

QUESTION THREE

Rapelesa Chambers Inc is a VAT registered vendor and for the month of April 2023, it had the following transactions:

- 2 Bought stationery on credit from National Stationaries at Pioneer Mall for M1,900 per invoice number 05.
- 6 Registered a company for Tripple-T (Pty) Ltd and issued debit note 001 in the amount of M14,700. The accountant mistakenly failed to include chargeable VAT. A message was dispatched to the client immediately after transmitting the invoice to alert the client that the amount did not include VAT and that a 5% discount had been allowed.

- 9 Held an impromptu office party and paid M3,450 for braai and drinks by EFT, using the firm's account.
- 12 Purchased additional office furniture for M33,400. Invoice 06.
- 17 Successfully argues a bail application for Ralikhathatso. Debit note 002 issued for M2,300.
- 25 Paid wages and salaries in the total amount of M17,000. Cheque 101.
- 27 Completed a trial for FNB involving employee disputes. Debit note 003 of M75,900.
- 29 Purchased a car to be used in running office errands. Invoice M85,000.
- 30 Purchased law books from a second-hand bookshop. After paying the invoiced amount of M18,000, the firm learned that the bookshop was not a registered VAT vendor.

You are required to:

- (a) Prepare general journal entries for the above transactions.

15 Marks

- (b) Make postings to the general ledger and balance off the accounts.

10 Marks

Or

Write a short brief about how VAT was broadly accounted for in the above transactions. You do not need to explain per transaction but in broad outline.

10 Marks

QUESTION FOUR

The following information was obtained from the books of Poppy Attorneys after comparing the cash book with the bank statement on 30 April 2023.

1. The balance on bank statement was a credit of M22,100.

2. The firm's general ledger bank account on 1 April 2023 had a debit balance of M8,300.
3. The provisional total of the cash receipts journal was M26,456.
4. The provisional total of the cash payments journal was M16,438.
5. A deposit of M4,000 from a client does not appear in the cash receipts journal but does appear on the bank statement.
6. Bank charges on the bank statement amounts to M463.
7. Interest received of M125 on bank statement does not appear in the cash receipts journal.
8. The following cheques were written out on the last day of the month but were not on the bank statement: cheque No. 101 for M450 and cheque No. 105 for M1,570.
9. An amount of M550 was recorded in the cash receipts journal instead of the cash payments journal.
10. The insurance policy premium of M900 was paid by debit order and only reflected on the bank statement.
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 L Mabope in settlement of his account.
12. The bank had erroneously credited the firm's account with an amount of M380.

You are required to:

- (a) Prepare an adjusted general ledger bank account for the month of April 2023.

12 Marks

- (b) Prepare a Bank Reconciliation Statement as at 30 April 2023, starting with the balance as per the adjusted general ledger bank account.

13 Marks

[25 MARKS]**QUESTION FIVE**

During the month of April 2023, Letapata Attorneys has been entering all the financial transactions and has entered all fees due to itself by clients. On 28 April the firm's bookkeeper presents a list of balances in the firm's client's ledger accounts, as follows:

CLIENT	TRUST LEDGER	BUSINESS LEDGER
1. Thabo	M34,201 (credit)	M14,430 (debit)
2. Tsietsi	M 7,240 (credit)	M8,000 (debit)
3. 'Mampoi	M (nil)	M15,400 (debit)
4. Lerato	M22,000 (credit)	M32,400 (debit)
5. Molefi	M20,500 (credit)	M20,500 (debit)

The firm needs to get some money into its business books to pay salaries at the end of the month.

You are required to:

- (a) Draw the transfer journal entries the the firm would have to do (only such transfers as are allowed in law) to get as much as possible transferred from the firm's trust books to the firm's business books. These you do on 28 April 2023.

15 Marks

- (b) Having done the transfer journals, what is the total amount you will be able to transfer from trust the bank to the business bank? (Figure only)

3 Marks

- (c) Having done the transfer journals, what are the resultant balances in each of these clients' trust and business ledger accounts? (Figures only for both trust and business and indicate whether these are debit or credit balances).

7 Marks

[25 MARKS]

QUESTION SIX

Your friend, Kelvin Chiona, wishes to practise as an attorney in Lesotho. Write a detailed brief for him about the legal accounting framework that attorneys in Lesotho are required to comply with to stay on the right side of the law.

Support your brief with relevant statutory and case law, demonstrating consequences of non-compliance.

[25 MARKS]