

**FAC1503**  
**RFA1503**

**MAY/JUNE 2018  
SECOND PAPER**

# FINANCIAL ACCOUNTING PRINCIPLES FOR LAW PRACTITIONERS

STUDENT NUMBER								

[illegible]

**FOR USE BY EXAMINATION INVIGILATOR**

	Marks					
Question No	Examiners					
	1		2		3	
Total						

**Subject**

Number of paper

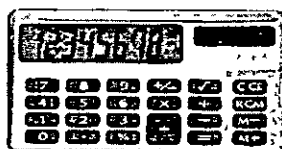
Date of examination

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**FAC1503  
RFA1503  
SECOND PAPER**

May/June 2018

**FINANCIAL ACCOUNTING PRINCIPLES FOR LAW PRACTITIONERS**

Duration 2 Hours

100 Marks

EXAMINATION PANEL AS APPOINTED BY THE DEPARTMENT

Use of a non-programmable pocket calculator is permissible

Closed book examination

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This paper consists of **25 (TWENTY-FIVE)** pages**PLEASE NOTE:**

- 1 Ensure that you are writing the **correct examination paper**
- 2 This paper consists of **7 (SEVEN)** questions of which **5 (FIVE)** questions must be answered The timetables below will indicate which questions you must answer
- 3 All questions must be answered **in your examination paper** on the pages provided
- 4 **Basic calculations**, where applicable, **must be shown**

**PROPOSED TIME-TABLE FOR REGISTERED STUDENTS**

Question number	Topic	Marks	Time in minutes
1	Cash journals, bank account and bank reconciliation statement	21	25
2	Trust transfers	23	28
3	Correspondents and theory	13	15
4	Trust investments	18	22
7	Accounting equation	25	30
	Total	100	120

**PROPOSED TIME-TABLE FOR SUPPLEMENTARY STUDENTS**

Question number	Topic	Marks	Time in minutes
1	Cash journals, bank account and bank reconciliation statement	21	25
2	Trust transfers	23	28
5	Value added tax	13	15
6	Financial statements and analysis	18	22
7	Accounting equation	25	30
	Total	100	120

[TURN OVER]

**THIS QUESTION MUST BE ANSWERED BY ALL STUDENTS****QUESTION 1 (21 marks)(25 minutes)**

**Commence this question on a new (separate) page.**

The bookkeeper of Agripa Attorneys totalled the business cash receipts and cash payments journals for September 2017 before he received the bank statement for September 2017. The totals of the business cash journals were as follows

- Business cash receipts journal                      R89 500
- Business cash payments journal                      R65 257

On comparing the business bank statement with the business cash receipts and cash payments journals for September 2017 and the bank reconciliation statement for the month of August 2017, the following were noted

- 1 On 1 September 2017, the bank account in the general ledger showed a favourable balance of R3 867
- 2 On 30 September 2017, the bank statement showed a favourable balance of R5 015
- 3 The following appeared on the bank statement, but not in the cash journals
  - annual service fee – R355
  - internet service fee – R125
  - cash deposit fees – R485
  - a deposit on 25 September 2017 of R9 120 from D Purple, a client, paid directly into the bank account of Agripa Attorneys for fees charged
  - a debit order of R650 in favour of Fleetrisk Insurance for an insurance premium
- 4 The following appeared in the cash journals, but not on the bank statement
  - cheque number 56 issued to the municipality on 25 September 2017, for water and electricity – R1 958
  - A deposit of R28 500, dated 30 September 2017
- 5 The bank reconciliation statement for the month of August 2017 revealed the following
  - cheque number 32, issued to A Magati on 15 March 2017 – R6 852
  - cheque number 37, issued to T Mboyane on 03 July 2017 – R3 560
  - cheque number 45, issued to L Bethani, a client, on 25 August 2017 – R1 850

Cheque number 32 A Magati is stale and must be cancelled

All the other items on the bank reconciliation statement for the month of August 2017 were cleared
- 6 P Eddy, a client, made an electronic transfer of R2 520 as payment on his account. The bookkeeper incorrectly entered the amount as R2 250 in the business cash receipts journal
- 7 A cheque for R4 750, drawn by another client of the bank, was erroneously entered in the bank account of Agripa Attorneys
- 8 A deposit of R11 300 made on 27 September 2017, from a client for a divorce case, was erroneously recorded in the business cash receipts journal of Agripa Attorneys, instead of the trust receipts journal

**[TURN OVER]**

**QUESTION 1** (continued)**REQUIRED:**

	Marks
Complete the following in the accounting records of Agripa Attorneys for the month ended on 30 September 2017	
(a) The <i>business</i> cash receipts and cash payments journals (bank columns only), properly totalled, as at 30 September 2017	9
(b) The bank account in the general ledger, properly balanced, as at 30 September 2017	5
(c) The bank reconciliation statement, properly balanced, as at 30 September 2017	7
	[21]
<b>Please note</b>	
This question must be answered on <b>pages 4 to 5</b> of this examination paper	

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**THIS QUESTION MUST BE ANSWERED BY ALL STUDENTS**

**QUESTION 2 (23 marks)(28 minutes)**

**Commence this question on a new (separate) page**

The following information for the month ended 31 July 2017 relates to Loodfick Attorneys

**TRIAL BALANCE OF LOODFICK ATTORNEYS ON 30 JUNE 2016**

	Debit	Credit
	R	R
Business bank	6 840	
Trust bank	7 140	
Trust creditors control		
A Gunty		6 740
R Meiring		4 630
Clients control		
G Gapola	2 250	
A Gunty	2 230	
R Meiring	2 100	
Capital		68 100
Motor vehicles	46 100	
Furniture	9 500	
Prepaid insurance	1 385	
Petty cash	1 925	
	<b>79 470</b>	<b>79 470</b>

**Additional information**

- 1 The following totals appeared in the **subsidiary journals** of Loodfick Attorneys on 31 July 2017

<b>Trust cash receipts journal</b>	<b>R</b>	<b>Trust cash payments journal</b>	<b>R</b>
Trust creditors	3 580	Trust creditors	9 630
A Gunty	1 230	A Gunty	5 730
R Meiring	2 350	R Meiring	3 900
Bank	3 580	Bank	9 630
<b>Business cash payments journal</b>	<b>R</b>	<b>Fees journal</b>	<b>R</b>
Sundries	5 550	Clients control	5 520
Bank	5 550	A Gunty	1 940
		R Meiring	3 580
		Fees	5 520

- 2 Included in the amount received from R Meiring in the trust cash receipts journal is R1 000 as a deposit for a different matter still to be finalised in the following three months

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**QUESTION 2** (continued)**REQUIRED:**

	Marks
<p><b>(a)</b></p> <p>Open the following ledger accounts in the general ledger of Loodfick Attorneys as at 31 July 2017 and post the subsidiary journals in additional information 1 and 2 above, to these ledger accounts</p> <p>(i) Trust bank</p> <p>(ii) Trust creditors</p> <p><b>Please note:</b></p> <p>All accounts must be properly balanced on 31 July 2017</p> <p>Commence the general ledger accounts with the opening balances as given in the trial balance above</p> <p>This question must be answered on <b>page 8</b> of this examination paper</p>	<p>5</p> <p>5</p> <p>10</p>
<p><b>(b)</b></p> <p>Calculate the amount that should be transferred from the trust bank account to the business bank account of Loodfick Attorneys on 31 August 2017 for <b>G Gunty and R Meiring</b>, after all the information given in the question have been taken into account</p>	<p>13</p>
<p>You can either calculate the amount that should be transferred by completing the table given on <b>page 9</b> of this examination paper <b>OR</b> by compiling the ledger accounts on <b>page 10 -11</b> of this examination paper as it will appear in the accounting records of Loodfick Attorneys</p> <p><b>Please note</b></p> <p>Show all calculations</p>	<p><b>[23]</b></p>

**ANSWER SHEET: QUESTION 2**

(a)

**General ledger**

Dr			Trust bank			Cr
Date	Details	R	Date	Details	R	

Dr			Trust creditors			Cr
Date	Details	R	Date	Details	R	

[TURN OVER]

**ANSWER SHEET QUESTION 2** (continued)

(b)

The following table can be used to calculate the amount that must be transferred from the trust bank account to the business bank account

Description	A Guntz		R Meiring		Total
	Fees and payments	Trust creditors account	Fees and payments	Trust creditors account	Transfer amount
	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
Trust creditor account balance before transfer					
Trust funds earmarked for future matters/transactions					
Account balance for current matters					
Debit balance on trust creditor account to be transferred <u>from</u> business bank account					
Trust creditor account balance before fees					
Fees charged					
Transfer of funds i r o fees to business bank account					
Trust creditor account balance					
Payments from business bank account on behalf of trust creditor					
Final balance on trust creditor's account					
<b>Total transfer to business bank account</b>					

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**ANSWER SHEET. QUESTION 2** (continued)

(b)

**Trust creditors / payables ledger**

Dr			G Gunty			Cr
Date	Details	R	Date	Details	R	

Dr			R Meiring			Cr
Date	Details	R	Date	Details	R	

**Clients ledger**

Dr			G Gunty			Cr
Date	Details	R	Date	Details	R	

[TURN OVER]

**ANSWER SHEET QUESTION 2** (continued)

Dr			R Meiring			Cr
Date	Details	R	Date	Details	R	

**[TURN OVER]**

**THIS QUESTION MUST BE ANSWERED BY THE REGISTERED STUDENTS ONLY****QUESTION 3 (13 marks)(15 minutes)****PART A CORRESPONDENTS (8 marks)(10 minutes)**

L & Sons Attorneys instructed Kgosi Attorneys to assist with an insurance claim dispute on behalf of a client, Mr Moloi

Kgosi Attorneys issued the following statement to L & Sons Attorneys at the end of 31 January 2018

<b>Account statement</b>		
<b>KGOSI ATTORNEYS</b>		
L & SONS ATTORNEYS P O Box 990 MAFIKENG		P O Box 246 PRETORIA 31 January 2018
B Abell v E Abell – divorce	<b>R</b>	<b>R</b>
Fees for receiving instruction	1 500	
Advocate fees	2 500	
Correspondence fee	<u>330</u>	
Subtotal	4 330	
Your share of fees (allowance)		?
Amount due		?
	<b>4 330</b>	<b>4 330</b>

**REQUIRED:**

	<b>Marks</b>
<b>PART A: CORRESPONDENTS</b>	
(a) Complete the above account statement (on the statement itself)	2
(b) Complete all the entries as reflected in the account statement in the following accounting records of Kgosi Attorneys	
• the relevant subsidiary journal	3
• the general ledger	3
	8
(Kgosi Attorneys does not make use of an advocate journal)	
Your answers must comply with the requirement of the Legal Practice Act 28 of 2014 and the Rules of the Attorneys Profession	
<b>Please note</b>	
This part of the question must be answered on <b>page 13</b> of this examination paper	

**[TURN OVER]**

**ANSWER SHEET: QUESTION 3 (PART A (b))****ACCOUNTING RECORDS OF L & SONS ATTORNEYS****(b) SUBSIDIARY JOURNALS****General journal for January 2018****GJ10**

Date	Details	Dr	Cr
31	L & Sons Attorneys Advocate fees (Advocate fees outstanding)	R	R

**Fees journal for January 2018****FJ10**

Date	Details	Dr	Cr
31	L & Sons Attorneys(client) Fees (Total fees charged – Mr Molo)	R	R
31	Fees L & Sons Attorneys (client) (Share of fees)		

**LEDGERS****General ledger****Fees account****A9**

			2018 Jan 31	L & Sons Attorneys	R
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**Clients control account****A11**

2018 Jan 31	Journal debits Fees	R	2018 Jan 31	Balance c/d	R
Feb 1	Balance b/d				

**Advocate fees account****A14**

			2018 Jan 31	L & Sons Attorneys (client)	R
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**[TURN OVER]**

## PART B. THEORY

	<b>Marks</b>
List the ways in which bank charges in respect of a trust bank account can be dealt with	5
Total marks for both parts	<b>[13]</b>
<b>Please note</b>	
This part of the question must be answered on the space provided below	

**ANSWER SHEET: QUESTION 3 (PART B)**

[illegible]

[TURN OVER]

**THIS QUESTION MUST BE ANSWERED BY THE REGISTERED STUDENTS ONLY****QUESTION 4 (18 marks)(22 minutes)**

The following information was obtained from the accounting records of Credoc Attorneys·

List of balances extracted from the general ledger and the trust creditors ledger of Credoc Attorneys at 1 November 2017

**General ledger**

Trust bank account (dr)	R295 870
Trust creditors control account (cr)	R295 870

**Trust creditors ledger**

B Mosia	R61 500
R Guguletho	R18 500
P Previan	R145 870

During November 2017, Credoc Attorneys entered into the following transactions

- 1 Nov Mr R Guguletho is in the process of purchasing a business enterprise from Mr K Khumalo. The final price still has to be negotiated. Credoc Attorneys received an **additional** R25 000 from R Guguletho, being part of the estimated purchase price, to be kept in trust on his behalf. He gave a written instruction that the total amount in the trust bank account be invested in an interest bearing fixed deposit account until the final settlement amount is determined. Credoc Attorneys invested the money at V-Venda Bank on behalf of R Guguletho in terms of section 78(2A) of the Attorneys Act no 53 of 1979.
- 2 Nov The following investments were made in terms of section 86 of the Legal Practice Act 28 of 2014:
- On the written instruction of B Mosia, Credoc Attorneys, invested R50 000 of the money held in trust from him, in an interest bearing savings account with Safe Bank.
- Credo Attorneys decided to invest R70 000 of the surplus trust funds not immediately needed, in an interest-bearing savings account with Capital Bank.
- 29 Nov Mr R Guguletho and Mr K Khumalo agreed on a purchase price of R50 000 for the business enterprise (see 1 November). Credoc Attorneys immediately withdrew the investment made on 1 November. V-Venda Bank deposited R45 000 into Credoc Attorneys trust bank account.
- 30 Nov Credoc Attorneys withdrew the investment made on 2 November with Safe Bank and received R52 100. The law firm also paid the interest earned on this investment to the beneficiary/ies.

**[TURN OVER]**

**QUESTION 4** (continued)**REQUIRED:**

	Marks
Prepare the following in the accounting records of Credoc Attorneys for November 2017	
Subsidiary journals, properly totaled	
• Trust cash receipts journal	4½
• Trust cash payments journal	7½
• Trust general journal	6
	<b>[18]</b>
Your answer must comply with the requirements of the Attorneys Act 53 of 1979, the Legal Practice Act 28 of 2014 and the Rules of the Attorneys Profession	
<b>Please note.</b>	
This question must be answered on <b>page 17</b> of this examination paper	

**[TURN OVER]**

**ANSWER SHEET QUESTION 4****CREDOC ATTORNEYS****SUBSIDIARY JOURNALS****Trust cash receipts journal for November 2017****TCRJ6**

Date	Details	Trust creditors control	Bank
		R	R

**Trust cash payments journal for November 2017****TCPJ6**

Date	Details	Trust creditors control	Bank
		R	R

**Trust general journal for November 2017****GJ6**

Date	Details	Debit	Credit
		R	R

**[TURN OVER]**

**QUESTION 5 (13 marks)(15 minutes)**

Commence this question on a new (separate) page.

The following information pertains to Indo Projects. The entity is registered as a VAT vendor and uses the periodic inventory control system. The following transactions by Indo Projects took place during March 2018.

The trial balance of Indo Projects on 01 March 2018 reflected the following balances:

	R
VAT input	4 105
VAT output	7 220
VAT control	650 (dr)

**INDO PROJECTS****CASH RECEIPTS JOURNAL – MARCH 2018**

CRJ 01

Day	Details	Bank	Trade receivables	VAT output	Sundry accounts	
					Amount	Details
		R	R	R	R	
3	Jack Indo	50 000			50 000	Capital
11	Pizza-All	7 700		946	6 754	Rental income
21	City of Tshwane	18 900		2 321	16 579	Services rendered
30	P Pieterse	4 329	4 329			
		80 929	4 329	3 267	73 333	

**INDO PROJECTS****CASH PAYMENTS JOURNAL – MARCH 2018**

CPJ 01

Day	Details	Bank	Purchases	Trade payables	VAT input	Sundry accounts	
						Amount	Details
		R	R	R	R	R	
3	Cash	2 500				2 500	Salaries & wages
11	Buildmore	6 140	5 386		754		
15	Build Quick	10 285		10 285			
30	Cash	11 200			1 375	9 825	Equipment
		30 125	5 386	10 285	2 129	12 325	

**INDO PROJECTS****GENERAL JOURNAL FOR MARCH 2018**

GJ6

Date	Details	Debit R	Credit R
March 19	Motor vehicles	21 404	
	VAT input	2 996	
	Trade payables control / Mahindu motors		24 400
26	Printing	539	
	VAT input	76	
	Trade payables / CPA stationers		615
		25 015	25 015

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**QUESTION 5 (continued)****REQUIRED.**

	Marks
Open the following accounts in the general ledger of Indo Projects for the month of March 2018 and post the amounts in the subsidiary journals above to the general ledger Properly balance/close off these accounts on 31 March 2018	
(i) VAT input account	5
(ii) VAT output account	3
(iii) VAT control account	5
	<b>[13]</b>
<b>Please note</b>	
This question must be answered on <b>page 20</b> of this examination paper	

**[TURN OVER]**

**ANSWER SHEET: QUESTION 5****General ledger**

Dr				VAT Input				Cr			
2018			R	2018			R				

(5)

Dr				VAT Output				Cr			
2018			R	2018			R				

(3)

Dr				VAT Control				Cr			
2018			R	2018			R				

(5)

[TURN OVER]

**THIS QUESTION MUST BE ANSWERED BY THE SUPPLEMENTARY STUDENTS ONLY****QUESTION 6 (18 marks)(22 minutes)****Commence this question on a new (separate) page.**

The following information was obtained from the accounting records of Bopedi Traders on 30 September 2017

<b>TRIAL BALANCE</b>	<b>2017</b>	<b>2016</b>
	<b>R</b>	<b>R</b>
Capital account – Owner	50 000	100 000
Land and buildings	770 000	820 000
Long-term borrowings	700 000	790 000
Trade and other receivables	252 400	248 230
Bank (cr)	79 000	85 000
Inventory	95 000	84 000
Trade and other payables	283 100	195 340
Purchases (50% is credit purchases)	580 600	527 270
Revenue (50% is credit sales)	768 540	721 000
<b>Distribution, administrative and other expenses</b>	<b>160 340</b>	<b>185 440</b>
Interest on long-term loan	22 300	26 400

**REQUIRED**

	<b>Marks</b>
(a) Prepare the Statement of profit or loss and other comprehensive income of Bopedi Traders for the year ended 30 September 2017	10
(b) Calculate the following ratios of Bopedi Traders at 30 September 2017	
(i) Trade receivables collection period	5
(ii) Interest cover ratio	3
	<b>[18]</b>
<b>Please note</b>	
This question must be answered on <b>page 22</b> of this examination paper	
All formulas and calculations must be shown	
All answers must be rounded off to 2 decimal places after the comma, e g 13,458% to 13,46%	

**[TURN OVER]**

**ANSWER SHEET. QUESTION 6**

**BOPEDI TRADERS**  
**ABBREVIATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**[TURN OVER]**

**THIS QUESTION MUST BE ANSWERED BY ALL STUDENTS****QUESTION 7 (25 marks)(30 minutes)****Commence this question on a new (separate) page**

The following transactions were entered into by PG Attorneys during September 2017

- 1 Issued an invoice to P Pomper for services rendered, R4 500
- 2 Issued a cheque for R1 300 for petty cash float
- 4 An error occurred during August 2017. A deposit of R15 350 received from a client, L Macklair for future services was incorrectly recorded in the business cash receipts journal instead of the trust cash receipts journal and posted as such to the general ledger accounts. This error must still be corrected
- 7 L Gureth, a client, who owed PG Attorneys R4 780, paid the amount
- 11 Paid courier and postage costs of R350 out of the petty cash
- 22 Paid the water and electricity account for the month of August 2017, R1 335
- 25 Purchased 2 wooden desks and 6 chairs at WoodOffice Furniture on credit, R35 400
- 29 The bank returned the cheque received from L Gureth (refer to 7 September). The client did not have sufficient funds in his bank account

The entity is **not** registered as a VAT vendor**REQUIRED:**

Marks

Analyse the above transactions in tabular format, as follows

Date	Account to be debited	Account to be credited	Effect on the basic accounting equation		
			Assets	Equity	Liabilities
			R	R	R
Example 4 July Purchased stationery of R1 500					
4	Stationery	Bank	- 1 500	- 1 500	

[25]

**Please note.**

This question must be answered on **page 24** of this examination paper

The columns in respect of the accounting equation must **not** be totalled

Each amount **must** be preceded by a plus sign (+) for an increase or a minus sign (-) for a decrease, to indicate the effect on the element in the accounting equation

Show all calculations

**[TURN OVER]**

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**ADDITIONAL ANSWER SHEET**

attendance register (university copy) UNISA

Fill-in/MCQ



Examination period

Student number

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Surname

First Names

Subject

Code of paper

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Number of paper

Centre

Date

This is to certify that I have read the rules governing the examinations as set out on the inside cover of this examination answer book and in the examination instructions

That the information supplied by me in this answer book is correct and valid

I undertake to adhere to the procedures, rules and regulations of the University of South Africa as published in the official brochures

Signature of candidate

ID Number

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Batch No

28092015MCQ

Signature of invigilator

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UNISA invigilator's personnel number

NOTE Not a valid document if not completed by the Invigilator

Fill-in/MCQ



Examination period

Student number

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Surname

First Names

Subject

Code of paper

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Number of paper

Centre

Date

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ID Number

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Batch No

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