

FAC1503

EXAM PACK

**FINANCIAL
ACCOUNTING
PRINCIPLES FOR
LAW
PRACTITIONERS**

**OCTOBER –
NOVEMBER
2017**

SOLUTION 1: SUBSIDIARY JOURNALS

EXPRESS SERVICES SUPPLIES

(a) CASH RECEIPTS JOURNAL – APRIL 2017

Date	Details	Bank	Sales	Trade Receivables Control	Services rendered	VAT Output	Sundry accounts	
							Amount	Details
		R	R	R	R	R	R	
13	Cash Sales (i)	1 482	1 300			182		
28	S Smith	400		400				
30	Services rendered	5 700			5 000	700		

(i) Cash Sales – 13 April

	R
Total Sales	1 482
VAT Output ($1\,482 * \frac{14}{114}$)	(182)
Sales	1 300

(ii) April 30 Services rendered

	R
Total Services rendered	5 700
VAT Output ($1\,482 * \frac{14}{114}$)	(700)
Services rendered	5 000

(b) CASH PAYMENTS JOURNAL – APRIL 2017

Date	Details	Bank	Purchases	Trade Payables Control	VAT Input	Sundry Accounts	
						Amount	Details
		R	R	R	R	R	
15	Copu Traders	700		700			
26	Cash Purchases (ii)	1 539	1 350		189		
30	Wages	3 600				3 600	Wages

(i) **Cash Purchases – 26 April**

Total Purchases	R
VAT Input ($2\,394 * \frac{14}{114}$)	1 539
Purchases	(189)
	<hr/>
	1 350
	<hr/>

(c) **SALES JOURNAL – APRIL 2017**

Date	Details	Sales	VAT Output	Trade Receivables Control
		R	R	R
5	R. Phiri (i)	2 100	294	2 394
24	G Wright (ii)	2 400	336	2 736

Calculations

i. **Sales 5 April**

Total Sales	R
VAT Output ($2\,394 * \frac{14}{114}$)	2 394
Sales	(294)
	<hr/>
	2 100
	<hr/>

ii. **Sales 24 April**

Total Sales	R
VAT Output ($2\,736 * \frac{14}{114}$)	2 736
Sales	(336)
	<hr/>
	2 400
	<hr/>

(d) PURCHASES JOURNAL – APRIL 2017

Date	Details	Purchases	VAT Input	Trade Payables Control
		R	R	R
17	Model Traders (i)	2 050	287	2 337
21	JT Wholesalers (ii)	3 000	420	3 420

(i) Purchases 17 April

Total Purchases	R 2 337
VAT Input ($2\,337 * \frac{14}{114}$)	(287)
Purchases	<u>2 050</u>

(ii) Purchases – 21 April

Total Purchases	R 3 420
VAT Input ($3\,420 * \frac{14}{114}$)	(420)
Purchases	<u>3 000</u>

SOLUTION 2: ACCOUNTING EQUATION

BELL ATTORNEYS

Date	Account to be Debited	Account to be Credited	Effect on the basic accounting equation		
			Assets	Equity	Liabilities
			R	R	R
2017 February					
3	Business Bank	Capital	+ 25 000	+ 25 000	
4	Stationery ($1\,600 * 90\%$)	Creditors Control / E. Fay		- 1 440	+ 1 440
7	Rent			- 3 100	

		Business Bank	- 3 100		
12	Drawings	Equipment	- 4 700	- 4 700	
21	Trust Creditor: S. Vermaak	Trust Bank	- 5 000		- 5 000
28	Trust Clients Control / J. Khoza	Fees	+ 9 800	+9 800	

SOLUTION 3: CASH JOURNALS, BANK ACCOUNT & BANK RECONCILIATION STATEMENT

(a) RUNWAY TRADERS

CASH RECEIPTS JOURNAL – APRIL 2017

Details	Bank
	R
Provisional Total	10 062
Rental Income - (direct deposit)	971
Silinde Pre School - donation (stale cheque)	4 000
Total Receipts	15 033

CASH PAYMENTS JOURNAL – APRIL 2017

Details	Bank
	R
Provisional Total	12 570
S. Sweaters - (dishonoured cheque)	350
Insurance – (debit order)	803
Bank charges	175
Cheque book charges	102
Total Payments	14 000

(b) RUNWAY TRADERS

GENERAL LEDGER

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Bank Account							
2017 April 30	Total Receipts	CRJ	15 033	2017 April 1	Balance	b/d	2 337
30	Balance	c/d	1 304	30	Total Payments	CPJ	14 000
			16 337				16 337
				May 1	Balance	b/d	1 304

(c) RIOPEZ (PTY) LTD

BANK RECONCILIATION STATEMENT AS AT 31 AUGUST 2016

	DR	CR
	R	R
Credit balance as per bank statement		1 956
Wrong deposit	4 268	
Outstanding cheques: 903 SM Saltiel dated 3 April 2017	3 929	
895 BC Garner dated 28 March 2017	1 278	
Outstanding Deposits		6 215
Credit balance as per bank account		1 304
	9 475	9 475

SOLUTION 4 – TRUST ACCOUNTS

RADEBE ATTORNEYS

GENERAL LEDGER

(i)

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Trust Bank Account							
2017 August 1	Balance	b/d	9 500	2017 August 31	Total Payments	TCPJ	5 800
31	Total Receipts	TCRJ	5 000	31	Balance	c/d	8 700
			14 500				14 500
September 1	Balance	b/d	8 700				

(ii)

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Business Bank Account							
2017 August 1	Balance	b/d	8 000	2017 August 31	Total Payments	BCPJ	4 500
				31	Balance	c/d	3 500
			8 000				8 000
September 1	Balance	b/d	3 500				

(iii)

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Clients Control Account							
2017 August 1	Balance	b/d	1 900	2017 August 31	Balance	c/d	6 000
31	Fees	FJ	4 100				
			6 000				6 000
September 1	Balance	b/d	6 000				

(iv)

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Trust Creditors Control Account							
2017 August 1	Trust Bank	TCPJ	5 800	2017 August 31	Balance (6 000 +	b/d	9 500
31	Balance	b/d	8 700	31	3 500)	TCRJ	5 000
			14 500		Trust Bank		14 500
				September 1	Balance	b/d	8 700

(v)

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Fees Account							
				2017 August 31	Clients Control	FJ	4 100

PART B

**CALCULATION OF AMOUNTS TO BE TRANSFERRED FROM TRUST BANK
ACCOUNT TO BUSINESS BANK ACCOUNT ON 31 AUGUST 2017**

	R
N Nyathi	
Amount owed $(0 + 2\,600) = 2\,600$	
Amount available in trust account $(6\,000 + 3\,000 - 4\,000 - 2\,800) = 2\,200$	
Amount to be transferred limited to 2 200	2 200
M Mentz	
Amount owed $(1\,900 + 1\,500) = 3\,400$	
Amount available in trust account $(3\,500 + 2\,000 - 1\,800) = 3\,700$	
Amount to be transferred	3 400
Total amount transferred	<u><u>5 600</u></u>

MAY – JUNE 2017

SOLUTION 1: CASH JOURNALS, BANK ACCOUNT & BANK RECONCILIATION STATEMENT

(d) RIOPEZ (PTY) LTD

CASH RECEIPTS JOURNAL – AUGUST 2016

Details	Bank
	R
Provisional Total	33 912
D. Dollen - debtor (direct deposit)	1 350
Interest on favourable bank balance	335
Mos Ltd – creditor (stale cheque)	980
Total Receipts	36 577

CASH PAYMENTS JOURNAL – AUGUST 2016

Details	Bank
	R
Provisional Total	12 335
P. Mlangeni - Debtor (dishonoured cheque)	3 677
Insuresafe – vehicle insurance (debit order)	5 760
Bank charges	158
Cheque book charges	80
Internet banking fees	30
Total Payments	22 040

Bank charges, Cheque book charges and Internet banking fees can be combined and be recorded together as bank charges.

(e) RIOPEZ (PTY) LTD

GENERAL LEDGER

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Bank Account							
2016				2016			
August 1	Balance	b/d	4 152	August 31	Total Payments	CPJ	22 040
August 31	Total Receipts	CRJ	36 577	August 31	Balance	c/d	18 689
			40 729				40 729
September 1	Balance	b/d	18 689				

(f) RIOPEZ (PTY) LTD

BANK RECONCILIATION STATEMENT AS AT 31 AUGUST 2016

	DR	CR
	R	R
Credit balance as per bank statement		15 559
Wrong debit		1 150
Outstanding cheques: 395 RNA Stationers dated 23/08/2016	122	
390 Mobinet - telephone dated 14/07/2016	669	
Outstanding Deposits		2 771
Debit balance as per bank account	18 689	
	19 480	19480

SOLUTION 2: ACCOUNTING EQUATION

Date	Account to be Debited	Account to be Credited	Effect on the basic accounting equation		
			Assets	Equity	Liabilities
			R	R	R
2016					
June					
4	Purchases (1 850 * 90%)	Creditors Control / Wilkin Wholesalers		-1 665	+ 1 665
11	Bank	Debtors Control / S. Struwig	+ 950 -950		
19	Wages Petty Cash (2 900 – 1 800)	Bank	+ 1 100 - 2 900	-1 800	
23	Creditors Control / Wilkin Wholesalers Settlement Discount Received (1 665 * 8%)	Bank	- 1 531.80 -	+ 133.20	- 1 665
29	Equipment (photocopy)		+ 1 370		

		Creditors Control / Office Suppliers			+ 1 370
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SOLUTION 4: POSTING FROM SUBSIDIARY JOURNALS TO GENERAL LEDGER ACCOUNTS (TRUSTS)

BESUKA ATTORNEYS

GENERAL LEDGER

(a)

Date	Details	Folio	Amount	Date	Details	Folio	Amount		
			R				R		
Trust Bank Account									
2016 April	1 30	Balance Trust Receipts	b/d TCRJ	6 300 12 210	2016 April	30 30	Trust Payments Balance	TCPJ c/d	4 870 13 640
				18 510					18 510
May	1	Balance	b/d	13 640					

(b)

Date	Details	Folio	Amount	Date	Details	Folio	Amount		
			R				R		
Business Bank Account									
2016 April	1	Balance	b/d	6 100	2016 April	30 30	Total Payments Balance	CPJ c/d	5 650 450
				6 100					6 100
May	1	Balance	b/d	450					

(c)

Date	Details	Folio	Amount	Date	Details	Folio	Amount		
			R				R		
Clients Control Account									
2016 April	1	Balance (1 180 + 1 700 + 1 350)	b/d	4 230	2016 April	30	Balance	c/d	7 340
	30	Fees	FJ	2 960					
	30	Interest received	GJ	150					
				7 340					7 340
May	1	Balance	b/d	7 340					

(d)

Date	Details	Folio	Amount	Date	Details	Folio	Amount		
			R				R		
Trust Creditors Account									
2016 April	30	Trust Bank Balance	TCPJ	4 870	2016 April	1	Balance (3 800 + 2 500)	b/d	6 300
	30		c/d	13 640		30	Trust Bank	TCRJ	12 210
				18 510					18 510
					May	1	Balance	b/d	13 640

(e)

Date	Details	Folio	Amount	Date	Details	Folio	Amount	
			R				R	
Fees Account								
				2016 April	30	Sundry Clients	FJ	2 960

SOLUTION 5: MULTIPLE CHOICE QUESTIONS

(i) 4

(ii) 3

(iii) 4

(iv) 3

The receipt of money from the law practitioner`s clients for the services to be rendered will be recorded in the trust cash receipts journal.

Before an attorney can make a transfer of funds from his or her trust bank account to the business bank account, the relevant entries must be made in the transfer journal and the two cash journals.

The purpose of the trust fund in a law practice **is not** to keep clients` money for **investment**.

When the expenses of a client were paid from the attorney`s business bank account, the client`s bank account will be debited with these amounts.

(v) 4

(vi) 1

OCTOBER – NOVEMBER 2016

SOLUTION 1: SUBSIDIARY JOURNALS

(a) HELICY CLEANING SERVICES

CASH RECEIPTS JOURNAL (CRJ) – FEBRUARY 2016

Date	Details	Bank	Services Rendered	VAT Output	Debtors Control	SUNDRIES	
						Amount	Details
			R	R	R	R	
4	Services Rendered (1)	6 500	5 701.75	798.25			
14	P. Oosthuizen	1 700			1 700		
17	H. Hamel (2)	1 680			1 280	400	Interest earned
19	Services Rendered (3)	8 230	7 219.30	1 010.70			
29	Interest earned	1 320				1 320	Interest earned
		19 430	12 921.05	1 808.95	2 980	1 720	

Calculations

(1)		R	
	Total Services rendered	6 500	
	VAT (14 / 114 * 6 500)	<u>(798.25)</u>	
	Sales	<u>5 701.75</u>	

		R	
(2) Debtors	Total Received	1 680	
	Debtors	<u>(1 280)</u>	
	Interest	<u>400</u>	

		R	
(3)	Total Services rendered	8 230	
	VAT (14 / 114 * 8 230)	<u>(1 010.70)</u>	
	Sales	<u>7 219.30</u>	

NOTES

- All registered VAT vendors are required by law to charge Value Added Tax (VAT) on all VAT chargeable goods and services when these are provided to clients. This VAT charged to clients is called VAT output and it belongs to SARS (South Africa Revenue Service). At the end of the period, the business is mandated to submit these funds to SARS. At the same

time, the business can be charged VAT by its suppliers. This VAT is termed VAT input and it is claimable from SARS. VAT is currently pegged at 14% in South Africa.

- Payments by debtors will not be accounted for VAT in the Cash Receipts Journal. When sales are made on credit, the Vat output is accounted for on the date of sale in the Sales Journal. Therefore, accounting for VAT upon the settling of the debt will be double accounting.
- Cash sales are given exclusive of VAT. The price exclusive of VAT ($100/114 \times \text{Price inclusive of VAT}$: see calculation 1 and 2) is recorded under the sales column because this is the amount that belongs to the entity. The VAT amount ($14/114 \times \text{Price inclusive of VAT}$) is recorded under the VAT output column to show the amount resulting from the sale which should be paid over to SARS.
- There are some items which are not VAT chargeable such as loans obtained and capital; therefore, no VAT output is calculated on these.
- The Cash Receipts Journal is a book in which we first record all the money received by the business.
- All money received should be recorded in the analysis of receipts. Since most businesses make their bank deposits one time at the end of each working day, the amounts are then transferred to the bank column in total for each working day. This means that the bank column indicates the total receipts for each day.
- All transactions which take place frequently such as sales, receipts from debtors and VAT output will have special columns created for them and the rest of the rare transactions will be recorded under the sundry column.

(b) CASH PAYMENTS JOURNAL (CPJ) – FEBRUARY 2016

Date	Details	Bank	Cleaning & Packing Materials	VAT Input	Sundry Accounts	
					Amount	Details
		R	R	R	R	
1	ANCO Bank	2 200			2 200	Loan from ANCO Bank
2	Top of Tops Laundry (1)	3 200		392.98	2807.02	Equipment
10	Quick Clean (2)	3 250	2850.88	399.12		
23	Salaries and Wages	11 400			11 400	Salaries & Wages
27	City Electric Meters (3)	5 870		720.88	5 149.12	Water & Electricity
28	Traffic Fine	1 800			1 800	Traffic Fine
		27 720	2 850.88	1 512.98	23 356.14	

Calculations

	R
(1) Total	3 200
VAT ($14 / 114 * 3 200$)	<u>(392.98)</u>
Equipment	<u>2807.02</u>

(2) Total	3 250
VAT (14 / 114 * 3 250)	<u>(399.12)</u>
Packing and cleaning material	<u>2850.88</u>

(3)	R
Total	5 870
VAT (14 / 114 * 5 870)	<u>(720.88)</u>
Sales	<u>5 149.12</u>

NOTES

- The Cash Receipts Journal is the book in which all payments made by the business are first recorded.
- All the services and goods which are VAT chargeable paid for by the business result in VAT input which will be claimable from SARS. The VAT component is recorded under the VAT input column and the price exclusive of VAT is recorded under the relevant column.
- When the business settles an account (pays a creditor), no VAT will be accounted for as this will already have been done on the purchase date in the Purchases Journal unless there is a settlement discount received. In this case, only the discount component will have the VAT element reversed under the VAT output column.
- For cash purchases, we record the price exclusive of VAT under the purchases column as this represents the actual price of goods purchased. The VAT component is then entered under the VAT input column representing the amount claimable from SARS.
- There are some transactions which do not attract VAT, such as salaries and wages, purchase of fuel, drawings, e.t.c. The purchase of a motor vehicle will not also be accounted for VAT since VAT paid on the purchase of a vehicle is not claimable from SARS.
- The combined cheque on March 31 includes a business expense (insurance on the business assets) which is accounted for in the normal way by including the VAT component under VAT input as this VAT is claimable by the business from SARS and the insurance expense exclusive of VAT is recorded under sundries. The other part refers to the payment of the owner's personal expense (insurance of his private vehicle) and the total amount is recorded under the sundry column (drawings). The business cannot claim VAT on the owner's personal expenses. He can do so in his personal capacity if the vehicle is under a registered vendor entity.

(c) HELICY CLEANING SERVICES

GENERAL JOURNAL – FEBRUARY 2016

Date	Details	Debit	Credit
		R	R
21	Cleaning Materials (6 500 * 100 / 114) VAT Input (6 500 – 5 701.75) Creditors` Control / O` Reilly Cleaning Solution Purchase of cleaning materials on credit	5 701.75 798.25	6 500

SOLUTION 2: ACCOUNTING EQUATION

Date	Account to be Debited	Account to be Credited	Effect on the basic accounting equation		
			Assets	Equity	Liabilities
			R	R	R
2016					
2	Purchases	Creditors Control / C. Crack		- 3 150	+ 3 150
4	Debtors Control / K. Mokgosi	Sales	+ 1 460	+1 460	
8	Sales Returns	Debtors Control / K. Mokgosi	- 460	- 460	
11	Credit Losses	Debtors Control / G. Grey	- 1 080	- 1 080	
12	Delivery Vehicle	Capital	+45 000	+ 45 000	
15	Bank	Debtors Control / K. Mokgosi	+ 1 000 - 1 000		

16	Creditors Control / C. Crack	Bank (3 150 * 88%) Settlement Discount Received (3 150 * 12%)	- 2 772	+378	- 3 150
25	Debtors Control	Sales	+7 530	+7 530	

NOTES

- Assets, Drawings and Expenses increase on the debit side and they decrease on the credit side.
- Equity, Liabilities and Income increase on the credit side and they reduce on the debit side.
- Increases in expenses reduce equity whilst decreases in expenses increase equity, that is, there is an inverse or negative relationship between expenses and equity.
- Increases in incomes increase equity whilst decreases in income decrease equity, that is, there is a direct or positive relationship between equity and income.
- In the general journal, we record all the transactions which do not qualify in the other six subsidiary books, namely;
 - a) Cash Receipts Journal
 - b) Sales Journal;
 - c) Cash Payments Journal;
 - d) Purchase Journal;
 - e) Sales Returns Journal; and
 - f) Purchases Returns Journal.
- These transactions include the following among others;
 - a) Purchase of non-current assets on credit;
 - b) Sale of non-current assets on credit;
 - c) Writing off of credit losses;
 - d) Providing for depreciation;
 - e) Correction of errors;
 - f) End-of-year adjustments.
 - g) Transfers between accounts e.g. Transfer of credit balance in the debtor's ledger to the creditor's ledger and vice versa.
- In the date column we record the date of the transaction.
- In the details column we record the amounts affected in this transaction. In this case, we debit the office furniture account (an account) because our assets are increasing and we credit the creditor account (a liability) because a credit purchase of goods increases what we owe our creditors.
- The amount of the account to be debited is recorded under the debit column whilst the amount of the account to be credited is recorded under the credit column.

OTHER NOTES

SALES JOURNAL

- The sales journal (also called the debtors journal or the accounts receivable journal) is the book of original entry for all credit sales. During the month, all our credit sales are entered in the sales journal and the total for the month will then be posted to the sales account and the debtors control account in the general ledger.
- An invoice is the source document for credit sales, hence the sales on March 5 was a credit sale as evidenced by the invoice issued.
- All the credit sales are part of the total sales of the business, hence the entry of the sales in the sales column.
- All credit sales increase our debtors (money owed to the business by its customers), hence the debtors column.
- The details column records the name of the customer to whom the business sold goods on credit.
- The date is the day on which the credit sale took place.

PURCHASES JOURNAL

- The purchases journal is the book of original entry for all credit purchases of inventory (also known as goods and merchandise).
- In the day column we enter the date of the transaction.
- The total amount of goods purchased will then be entered under both the purchases and creditors control column because the goods are part of the period's purchases and they also increase the amount owed to our creditors.
- The source documents for credit purchases are the supplier invoices.

SALES RETURNS JOURNAL

- The total amount is entered under the debtors control because the client will no longer be liable for the payment of the total value of good returned inclusive of VAT.
- The VAT element is entered under the VAT Output which represents a reversal of VAT Output. The business will no longer receive the VAT on goods returned and it will no longer be liable for surrendering the VAT to SARS. It has to be reversed because on the date of the sale, the amount had recorded under VAT Output (amount owed to SARS)
- The amount exclusive of VAT is entered under the sales Returns since only this part will no longer be receivable by the firm. The boss of Income to the firm is the amount exclusive of VAT.

CREDITORS CONTROL ACCOUNTS

- The creditors control account records the transactions of the business with its credit suppliers. Creditors control is a liability, and therefore carries a credit balance.
- Transactions that increase what we owe our creditors are credited in the creditors control account and they include the following;
 - 1) Credit purchase;
 - 2) Interest charged on overdue supplier's accounts; etc
- Transactions that decrease what we owe our creditors are debited in the creditors control

account and they include the following;

- a) Purchase returns
 - b) Payments to our suppliers;
 - c) Settlement discounts received from our suppliers, etc
- After all the transactions have been made, the account is balanced.

SOLUTION 3: ANALYSIS OF FINANCIAL STATEMENTS (no longer part of the syllabus)

SOLUTION 4: FINANCIAL STATEMENTS (no longer part of the syllabus)

SOLUTION 5: MULTIPLE CHOICE QUESTIONS

(a) 1

The total of the debtor's column in the cash receipts journal represents total payments by debtors and any portion of settlement discount granted to debtors which reduces debtors and is therefore credited to the debtors control account.

(b) 4

An asset increases on the debit side and reduces on the credit side.

A liability increases on the credit side and decreases on the debit side.

Income increases on the credit side and reduces on the debit side.

Drawings increase on the debit side and reduce on the credit side.

(c) 3

The trust cash payments journal is used to transfer the amounts owed by the clients and refunds of excess funds to trust creditors from the trust account to the business bank account.

All the transfers are accompanied by transfer journals.

The cash receipts journal is used to record the receipt of funds from the trust account to the business bank account.

(d) 1

The discount in the cash payments journal is discount received which should be credited to the discount received account, therefore, if such discount is debited, the debit side will be overstated, hence the trial balance will not balance and as such this will be revealed by the trial balance.

Option 2 will be incorrect if the entity is preparing control accounts as the control account totals are normally used when preparing the trial balance rather the personal accounts but if personal accounts are used to determine debtors control balances, it will then be correct as the debtors amount in the trial balance will be wrong and the trial balance will therefore not balance.

(e) 2

The lesser of the two balances for each client / creditor will be transferred.

MAY – JUNE

2016

SOLUTION 1: POSTING FROM SUBSIDIARY JOURNALS TO GENERAL LEDGER ACCOUNTS

NANNA TRADERS

GENERAL LEDGER

(a)

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Sales Account							
2015 June	30 Balance	c/d	779 500	2015 June	1 Balance	b/d	328 000
					30 Bank	CRJ	129 000
					30 Debtors' Control and VAT Output	SJ	322 500
			779 500				779 500
				July	1 Balance	b/d	779 500

(b)

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Purchases Account							
2015 June	1 Balance	b/d	174 000	2015 June	31 Balance	c/d	378 300
	30 Bank	CPJ	86 400				
	31 Creditors' Control & VAT Output	PJ	117 900				
			378 300				378 300
July	1 Balance	b/d	378 300				

(c)

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Bank Account							
2015 June	1 Balance	b/d	66 300	2015 June	30 Total Payments	CPJ	156 564
	30 Total Receipts	CRJ	301 560				
			367 860				367 860
July	1 Balance	b/d	156 564				

(d)

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Debtors` Control Account							
2015 June 1	Balance	b/d	197 000	2015 June 30	Bank	CRJ	154 500
30	Sales and VAT Output	SJ	367 650	30	Sales Returns & VAT Output	SRJ	83 790
			564 650	30	Balance	c/d	326 360
							564 650
2015 July 1	Balance	b/d	326 360				

(e)

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Creditors` Control Account							
2015 June 30	Bank	CPJ	112 800	2015 June 1	Balance	b/d	215 000
30	Purchases Returns & VAT Input	PRJ	12 312	30	Purchases & VAT Input	GJ	134 406
30	Balance	c/d	225 092	30	Stationary & VAT Input	PJ	798
			350 204				350 204
				July 1	Balance	b/d	225 092

SOLUTION 2: TRUST ACCOUNTS

SELENGA & PARTNERS

(a) TRUST CASH RECEIPTS JOURNAL – MARCH 2015

DATE	DETAILS	TRUST CREDITORS	BANK
		R	R
14	S. Osman (trust creditor)	1 100	1 100

(b) TRUST CASH PAYMENTS JOURNAL – MARCH 2015

DATE	DETAILS	TRUST CREDITORS	BANK
		R	R
10	J. Jackson (trust creditor) S. Scott & J. James (instructing attorneys)	2 150	2 150
27	J. Fitzgerald (trust creditor) Advocate Williams (defence counsel)	710	710
		2 860	2 860

(c) BUSINESS CASH PAYMENTS JOURNAL – MARCH 2015

DATE	DETAILS	SUNDRIES	BANK
		R	R
7	Telephone	1 445	1 445
17	C. Smith – RD Cheque	1 380	1 380
23	Sheriff (client)	235	235
31	Petty Cash	1 500	1 500
		4 560	4 560

NOTES

- All payments made for the attorney's practice and amounts drawn for personal use are made from the business bank account and these should be recorded in the business cash payments journal.

NB Under no expense should the general office expenses and personal withdrawals be made from the trust bank account.

(d) FEES JOURNAL – MARCH 2015

DATE	DETAILS	CLIENTS CONTROL	FEES
		R	R
19	B. Bosch (client) (drawing up of will)	650	650
29	V. Victor (client) (divorce case)	1 420	1 420
		2 070	2 070

NOTES

- All charges of fees for services rendered to the attorney`s clients are entered in the Fees Journal.

(e) GENERAL JOURNAL – MARCH 2015

DATE	DETAILS	DEBIT	CREDIT
		R	R
2	M. Ceki (client) Interest Interest charged on arrear account	180	180
21	A Nkome (client) C. Nkome (client) Deposit from C. Nkome erroneously credited to A. Nkome	530	530
25	Furniture Creditors Control / City Furniture Purchased Furniture on credit	3 700	3 700

NOTES

- Trust Cash Receipts Journal – records all monies received in trust. This cash books is designed as a summary of receipt transactions. It is used within the accounting system to record all financial transactions that involve receiving trust money, that is, receipts of trust money, trust cheque reversals and cheque cancellations. The cash books should provide control over the receipt/cheque sequencing, banking (for receipts) and monthly totals for the receipts and payments.
- Trust Cash Payments Journal – records all payments made from trust account for services rendered as agreed. This cash books is designed as a summary of payment transactions regarding trust monies. It is used within the accounting system to record all financial transactions regarding trust payments, that is, trust receipt reversals, trust receipt cancellations, trust cheques, cancellations, payments to the Law Society, refunds to trust creditors, e.t.c. The cash books should provide control over the receipt/cheque sequencing, banking (for receipts) and monthly totals for the receipts and payments.
- Business Cash Payments Journal –(see c)
- Transfer journal –records the transfers between the trust account and the business bank account

All entries which do not qualify in the other journals which are as follows:

- Examples of general Journal entries are clients written off, interest charges on overdue accounts, contribution of equipment by partners and drawings of equipment by partners.

- The transfer journal is required to record the transfer. As money is paid from the trust account, a record will be made in the trust payments journal. Money will be received in the business bank account thereby necessitating a record in the Business Cash Receipts Journal.

SOLUTION 3: ACCOUNTING EQUATION

Date	Account to be Debited	Account to be Credited	Effect on the basic accounting equation		
			Assets R	Equity R	Liabilities R
2015 April					
2	Vehicle	Capital	+82 000	+82 000	
4	Creditors Control / Aircon Suppliers	Bank	-2 500		-2 500
7	Bank	Debtors Control / H. Eysele	+730 - 730		
12	Creditors Control / J Hudson & Son	Purchases Returns		-520	-520
15	Credit Losses	Debtors Control / G. Grey	-980	-980	
17	Purchases (1 200 * 90%)	Creditors Control / Wright Traders		-1 080	+1 080
19	Debtors Control / A. Jaffer	Sales	+460	+460	
21	Bank	Debtors Control / N. Nel	+410 -410		
25	Purchases	Stationery		-730 +730	

28	Debtors Control / D. Goldwin (11 200 * 5% * 6 / 12)	Interest earned	+280	+280	
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SOLUTION 4: ANALYSIS OF FINANCIAL STATEMENTS (no longer part of the syllabus)

SOLUTION 5: MULTIPLE CHOICE QUESTIONS

(a) 4

The total of the creditors control in the cash payments journal is posted to the debit side of the creditors control account, as such if this total is under cast, the creditors control account will be under debited.

(b) 2

(c) 4

An asset increases on the debit side and reduces on the credit side.

A liability increases on the credit side and decreases on the debit side.

Expenses increases on the debit side and reduces on the credit side.

Drawings increase on the debit side and reduce on the credit side.

(d) 1

The discount column in the cash payments journal represents discount received which should be credited and if it's debited in the discount allowed account, the debit side will be overstated hence the trial balance will not balance.

(e) 2

**OCTOBER –
NOVEMBER
2015**

SOLUTION 1: CASH JOURNALS, BANK ACCOUNT AND BANK RECONCILIATION STATEMENT

(g) ROMA TRADERS

CASH RECEIPTS JOURNAL - DECEMBER 2014

Details	Bank
	R
Provisional Total	49 080
H. Dexel - debtor (direct deposit)	1 200
JT Ltd – creditor (stale cheque)	740
Total Receipts	51 020

CASH PAYMENTS JOURNAL - DECEMBER 2014

Details	Bank
	R
Provisional Total	52 580
A. Arlett - Debtor (dishonoured cheque)	436
Boondall insurance company – insurance (debit order)	650
Bank charges	90
Interest on overdraft	64
Total Payments	53 820

(h) ROMA TRADERS

GENERAL LEDGER

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Bank Account							
2015 January 31	Balance	b/d	3 504	2015 January 31	Total Payments	CPJ	53 820
	Total Receipts	CRJ	51 020		Balance	c/d	704
			54 524				54 524
February 1	Balance	c/d	704				

(i) ROMA TRADERS

BANK RECONCILIATION STATEMENT AS AT 31 DECEMBER 2014

	DR	CR
	R	R
Debit balance as per bank statement	864	
Wrong debit		2 900
Outstanding cheques: 379 Cellcomp dated 17/12/2014	2 200	
392 Buma Stationery dated 23/12/2014	1 500	
Outstanding Deposits		2 368
Debit balance as per bank account	704	
	5 268	5 268

NOTES

- All businesses are required by law to bank their funds and it is also safe and economically sound to do so. Money banked will attract interest and it will be safe from thieves.
- The business will keep its records of all money banked and money withdrawn and at the same time the bank will also record in its own books the transactions regarding the business money at the bank. Since the two parties (the business and the bank) will be recording the same transactions, they should theoretically indicate the same balance at any particular point in time. Practically, this seems next to impossible.
- At the end of the period, the business will compare the bank statement to the business records (cash receipts journal (CRJ), cash payments journal (CPJ) and the bank account in the general ledger. Any relevant unrecorded entries appearing on the bank statement which are not appearing in the business books are entered in the business books to update them. These might include the following:
 - a) Direct deposits: deposits made directly into the business bank account by the business clients without sending proof of payment or informing the business. The business will only learn of such payments from the bank statement. These should be recorded in the CRJ as they represent money received by the entity.
 - b) Interest receivable: it is usually very difficult for the business to calculate the interest receivable on a favourable bank balance. This is usually determined from the bank statement at the end of the month and this is a receipt of money to the business, therefore, it should be recorded in the CRJ.
 - c) Dishonoured (R/D) cheques: When a business receives a cheque, it immediately records it in the CRJ but sometimes some of the cheques can be rejected by the bank for various reasons e.g. insufficient funds, cheque wrongly filled in, wrong signature, e.t.c. The business usually only discovers the rejected cheques from the bank statement. These should then be reversed. To reverse an entry that had originally been entered in the CRJ, we enter it in the CPJ.
 - d) Debit Orders and Standing Orders: these are instructions either given by the business or a creditor to transfer specified funds from the business bank account in favour of specified payees. The business can only verify that the transfer has actually been made from the bank statement. As this is a payment, it is recorded in the CPJ.

- e) Interest Payable: Sometimes, the business can have a bank overdraft. The bank will then charge interest on such a negative balance. As this is a payment, it should be recorded in the CPJ. The business can only verify this interest from the bank statement.
 - f) Bank charges: the bank charges the business for the services it provides and again it is usually very difficult for the business to calculate these charges. The business will then rely on the bank statement to verify the charges and as these charges represent payments, they should be recorded in the CPJ.
- Other transactions which need to be recorded in the CRJ and the CPJ to update them which might not necessarily appear on the bank statement can be:
- a) Cancelled cheques: Some cheques can be cancelled for various reasons after being entered in the CPJ. For example, it might be discovered that the payment had been overstated. When a cheque is cancelled, it has to be reversed. All reversals of entries that had been made in the CPJ are entered in the CRJ.
 - b) Stale cheques: Cheques that would have gone for six months after the date they were drawn will not be payable by the bank. It can happen that after paying a cheque to the payee, the payee will not forward the cheque to the bank for six months or more. Such a cheque will be appearing on the CPJ but will not be appearing on the bank statement. Since it is no longer payable, it now has to be reversed by recording in the CRJ.
 - c) Cancelled receipts: receipts can be cancelled after recording them in the CRJ. To reverse them, they should be recorded in the CPJ.
 - d) Understated receipts: These result in a shortage in the CRJ. The understatement should be recorded in the CRJ to correct the error.
 - e) Overstated payments: The overstatement should be reversed by being recorded in the CRJ.
 - f) Understated payments: These result in a shortage in the CPJ. The understatement should be entered in the CPJ to update the payments.
 - g) Overstated receipts: To reverse the overstatement in order to correct it, we record the amount of the overstatement in the CPJ.

NB: The list above is not exhaustive.

The Cash Receipts Journal (CRJ)

➤ In summary, some of the common entries that have to be made in the CRJ are as follows:

Cash Receipts Journal: for (Month, Year)

	R
Subtotal (Provisional Total)	xxx
Interest income	xxx
Stale cheques	xxx
Cancelled cheques	xxx
Direct deposits	xxx
Understated receipts	xxx
Overstated payments	xxx
Omitted receipts	xxx
Total receipts	xxx

- The subtotal is the CRJ total before the adjustments or differences. This represents the total of the CRJ prior to the discovery or comparison of CPJ to the bank statement.

Cash payments Journal—Months (Year)

	R
Subtotal	XXX
Bank charges	XXX
Interest payable	XXX
Dishonoured cheques	XXX
Direct and standing Orders	XXX
Cancelled Receipts	XXX
Understated receipts	XXX
Overstated receipts	XXX
Total payments	XXX

- The subtotal represent the total of the CRT prior the recording of the adjustments or correction of errors or updating of the CPJ.

Bank Account

- If the balance from the end of last month or at the beginning of this month is favourable or positive it is debited in the bank account and if it is unfavourable or negative, it is recorded the credit side. An unfavourable balance means an overdraft whilst a favourable balance represents money in the bank.
- The total payments from the CPJ are credited as it reduces the money in the bank (an asset).
- The account is then balanced at the end of the month.

Bank Reconciliation Statement

- It is made up of the details column, the debit side and the credit side. The opening balance as per statement at the end of the month is entered on the debit side if it is negative or unfavourable and it is recorded on the credit side if it is positive or favourable. Note that this is exactly opposite to the record made in the bank account. The bank account is a record of the business whilst the bank statement is a record of the bank. A favourable balance is an asset to the business but the same balance is a liability to the bank as the bank owes the account holder. An unfavourable balance is a liability to the business whilst the same balance is an asset to the bank as it means that the account holder owes the bank.
- Entries appearing in the business books which are relevant but not appearing on the bank statement are entered the bank reconciliation statement. These are:
 - a) Outstanding deposits (Unclear deposits): these are deposits made by the business into the bank but which have not yet been credited by the bank. These can be due to the clearing process for example. These are credited in the bank reconciliation as they have the effect of increasing the amount in the bank when they finally credited.
 - b) Unpresented / Outstanding Cheques: These are cheques drawn by the business in favour of outsiders but the beneficiaries have not yet gone with the cheques to the bank.

These will be appearing in the business books but will not be appearing on the bank statement. These are debited in the in the bank reconciliation as they have the effect of reducing the money in the bank when they are finally presented to the bank.

- The other items which are normally entered in the bank reconciliation are:
 - a) Wrong debts: errors by the bank resulting in a wrong debit. These should be credited in the bank reconciliation statement.
 - b) Wrong credits: The bank can mistakenly credit the business bank account. To reverse this we debit the reconciliation.
 - c) Deposit overstated by the bank: Since deposits are recorded on the credit side of the bank statement, therefore to correct the overstatement, the overstatement is debited in the reconciliation.
 - d) Withdrawals understated: Withdrawals are recorded on the debit side of the bank statement. If they are understated, these should be increased by debiting the reconciliation.
 - e) Deposits understated: To increase the deposits to the correct amount, the understatement should be credited to the reconciliation.
 - f) Withdrawal overstated: To reduce the withdrawals, we credit the reconciliation with the overstatement.
- Finally, the closing balance as per bank account s then entered in the bank reconciliation statement. If the balance b/d in the bank account is on the debit side, it should be entered on the debit side of the bank reconciliation and if the balance b/d in the bank account is on the credit side, it should be entered on the credit side of the reconciliation.
- When all the entries are made, the two sides should agree. If they do not agree, it means that there is still an outstanding difference error or omission between the business books and the reconciliation.

The reconciliation will have the following:

Bank Reconciliation Statement As At (Date, Month, Year)

	R	R
Balance as per bank statement(can be dr or cr)	xxx	
Outstanding cheques		xxx
Outstanding deposits		xxx
Wrong debits	xxx	
Wrong credits	xxx	
Deposited overstated by bank	xxx	
Withdrawals/cheques understated by bank		
Deposit understated by bank		xxx
Withdrawals/cheques overstated by bank		xxx
	xxx	xxx

NOTE: the items recorded are not exhaustive.

SOLUTION 2: POSTING FROM JOURNALS TO GENERAL LEDGER ACCOUNTS

GEORGE TRADERS

GENERAL LEDGER

(a)

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Debtors` Control Account							
2015 January 1	Balance	b/d	76 000	2015 January 31	Bank	CRJ	103 000
31	Sales and VAT Output	SJ	245 100	31	Sales Returns & VAT Output	SRJ	55 860
			321 100	31	Balance	c/d	162 240
							321 100
2015 February 1	Balance	b/d	162 240				

(b)

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Creditors` Control Account							
2015 January 31	Bank	CPJ	75 200	2015 January 31	Balance	b/d	44 000
31	Purchases Returns & VAT Input	PRJ	8 208	15	Equipment & VAT Input	GJ	44 118
31	Balance	c/d	94 314	31	Purchases & VAT Input	PJ	89 609
			177 722				177 722
				February 1	Balance	b/d	94 314

(c)

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Purchases Account							
2015 January 1	Balance	b/d	108 000				
31	Bank	CPJ	56 400				
31	Creditors` Control	PJ	78 600				
			243 000				

(d)

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Sales Account							
				2015			
				January 1	Balance	b/d	194 000
				31	Bank	CRJ	86 000
				31	Debtors' Control	SJ	215 000
							495 000

SOLUTION 3: ACCOUNTING EQUATION

AS SUPPLIERS

Date	Account to be debited	Account to be credited	A =	E +	L
			R	R	R
2	Drawings	Purchases		- 7 140	
				+ 7 140	
3	Bank	Debtors' Control / J Rhodes	+ 2 200		
			- 2 200		
7	Purchases (23 000 - 10%)	Creditors' Control / North Traders		- 20 700	+ 20 700
14	Debtors' Control / H Cronje (4 600 * 12% * 3 / 12)	Interest income	+ 138	+ 138	
19	Purchases			- 1 950	

		Repairs		+ 1 950	
22	Credit Losses	Debtors` Control	- 8 500	- 8 500	
27	Bank	Credit Losses Recovered	+ 16 750	+16 750	

SOLUTION 4: ANALYSIS OF FINANCIAL STATEMENTS (no longer part of the syllabus)

SOLUTION 5: SHORT QUESTIONS; THEORY

(a) Five steps that can be followed in the human resource cycle which a law practice should follow to properly manage it`s human resources;

Choose any five of the following;

- i. The recruitment and hiring of new employees;
- ii. Training;
- iii. Evaluation;
- iv. Feedback;
- v. Compensation;
- vi. Benefits;
- vii. Retirement;
- viii. Promotion.

(b)

Characteristic	Sole Proprietor	Partnership	Personal Liability Company
Legal personality	Not a separate legal entity. Owner is liable for the debts of the practice	Not a separate legal entity. Partners are jointly and severally liable for debts.	Separate legal entity. Directors are jointly and severally responsible for debts subjected to the Companies Act and the principles of common law.
Liability for income tax	Profit of entity regarded as personal income of the owner.	Each partner pays tax on his or her profit share.	Company pays a fixed rate on profits.

(c) Five items that should be included in a partnership agreement:

Choose any five of the following;

- the names of the different partners;
- the purpose and scope of the partnership;
- the capital contributions expected from the partners;
- the duties and limitations of the respective partners;
- the method to be followed to settle disputes;
- the rules to be followed for the withdrawal of partnership funds;
- the formula applied in the distribution of profits or losses;
- the provisions to be made for the possible dissolution of the partnership or termination of a partner's interest;
- the admission of new partners;
- the modification of the terms of the agreement.

(d) Five of the different types of accounting transactions, that may be encountered in an attorney's practice:

Choose any five of the following;

- Cash received on behalf of clients which must be held in trust, or which must be dealt with according to their express instructions;
- Cash received from clients as payment of fees which they were charged, and for expenses incurred on their behalf;
- Trust money paid to clients, or the rightful recipients, after fees and expenses rightfully due to the attorneys have been deducted;

- Expenses paid on behalf of clients that must subsequently be recovered from such clients;
- Payment of general office expenses, and personal withdrawals;
- Charging of fees for services rendered;
- Transfer of money from the trust bank account to the business bank account;
- Transactions with correspondents.

MAY – JUNE 2015

SOLUTION 1: ACCOUNTING EQUATION

COLD AIR CONDITIONERS

Date	Account to be debited	Account to be credited	Effect on the basic accounting equation		
			Assets	Equity	Liabilities
			R	R	R
2	Debtors` Control / G Gregory	Interest Income	+200	+200	
6	Inventory	Bank	- 50 000 +50 000		
7	Delivery Vehicles	Bank Loan from City Bank (10 000 – 20 000)	+140 000 - 20 000		+120 000
10	Bank Cost of Sales	Services Rendered Sales Inventory	+17 000 - 12 800	+ 1 000 +16 000 -12 800	
12	H. Byron / Debtors` Control Cost of Sales	Sales Inventory	+15 000 - 12 000	+15 000 - 12 000	
14	Bourke Air Conditioners / Creditors` Control	Inventory	- 40 000		- 40 000

17	Bank	T Brooks / Debtors` Control	+ 8 000 - 8 000		
21	Inventory	Bourke Air Conditioners / Creditors` Control	+25 000		+25 000
25	Drawings	Inventory	- 12 000 -	- 12 000	
28	Right Air Conditioners / Creditors` Control	Bank	-18 000		- 18 000

SOLUTION 2: SUBSIDIARY JOURNALS

(d) (i) S MATHI DISTRIBUTORS

CASH RECEIPTS JOURNAL (CRJ) – NOVEMBER 2014

Date	Details	Analysis of Receipts	Bank	Sales	VAT Output	Debtors Control	SUNDRIES	
							Amount	Details
			R	R	R	R	R	
2	Cash Sales (1)	20 000	20 000	17 544	2 456			
6	C.Crawl	6 000	6 000			6 000		
18	Cash Sales (2)	11 000	11 000	9 649	1 351			
29	ZM Bank – (850 – 650) (3)	200	200				200	Interest earned
		37 200	37 200	27 193	3 807	6 000	200	

Calculations

(3) **November 2 Sales**

	R
Total Sales	20 000
VAT (14 / 114 * 20 000)	<u>(2 456)</u>
Sales	<u>17 544</u>

R

(4) **November 18 Sales**

Total Sales	11 000
VAT (14 / 114 * 11 000)	<u>(1 351)</u>
Sales	<u>9 649</u>

(ii) CASH PAYMENTS JOURNAL (CPJ) – NOVEMBER 2014

Date	Details	Bank	Purchases	VAT Input	Sundry Accounts	
					Amount	Details
		R	R	R	R	
22	S Sam	2 500			2 500	Debtors Control
25	Inner City Municipality (3)	4 900		602	4 298	Water & Electricity
30	Bank charges	300			300	Petty Cash
		7 700		602	7 098	

Calculations

	R
(5) Total Water & Electricity	4 900
VAT (14 / 114 * 4 900)	<u>(602)</u>
Water & Electricity	<u>4 298</u>

(iii) S. MATHI TRADERS

SALES JOURNAL – NOVEMBER 2014

Date	Details	Sales	VAT Output	Debtors Control
		R	R	R
10	R. Rose	26 316	3 684	30 000

Calculations

	R
(6) Total Sales	30 000
VAT (14 / 114 * 30 000)	<u>(3 684)</u>
Sales	<u>26 316</u>

(iv) S. MATHI TRADERS

PURCHASES JOURNAL – NOVEMBER 2014

Date	Details	Purchases	VAT Input	Creditors Control
		R	R	R
15	B.Bryn (5)	10 526	1 474	12 000

Calculations

	R
(7) Total Purchases	12 000
VAT (14 / 114 * 12 000)	<u>1 474</u>
Purchases	<u>10 526</u>

(b) S. MATHI TRADERS

GENERAL LEDGER

(i)

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Bank Account							
2014				2014			
November 1	Balance	b/d	12 000	November 30	Total Payments	CPJ	7 700
30	Total Receipts	CRJ	37 200	30	Balance	c/d	41 500
			49 200				49 200
December 1	Balance	b/d	41 500				

(ii)

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Sales Account							
				2014 November 30	Bank Debtors` Control	CRJ SJ	27 193
							26 316
							53 509

SOLUTION 3: STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME & ANALYSIS OF FINANCIAL (no longer part of the syllabus)

SOLUTION 4: TRUST ACCOUNTS & THEORY

(a) GOVENDER & PARTNERS

GENERAL LEDGER

(i)

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Trust Bank Account							
2014 December 19 30	N. Ntoyanto Business Bank Account		6 000	2014 December 21	N. Ntoyanto (P. Pholo)		3 000
			3 000	29	N. Ntoyanto (RD Cheque)		6 000
			9 000				9 000

(ii)

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Business Bank Account							
				2014 December 30	Trust bank Account		3 000

(ii) **TRUST CREDITORS LEDGER**

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
N. Ntoyanto Account							
2014 December 21	Trust Bank Account		3 000	2014 December 19	Trust Bank Account		6 000
29	Trust Bank Account		6 000	31	N. Ntoyanto		3 000
			9 000				9 000

(iii) **CLIENTS LEDGER**

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
N. Ntoyanto Account							
2014 December 31	N. Ntoyanto (Trust creditor)		3 000				
			3 000				

(b) (i)

1. Trust Cash Receipts Journal;
2. Trust Cash Payments Journal;
3. Transfer Journal.

(ii)

- Leveraging the intellectual work product of the law practice;
- Instruction & Training;
- Assuring accuracy;
- Legal research;
- Communication.

OCTOBER – NOVEMBER 2014

SOLUTION 1: SUBSIDIARY JOURNALS

(a) MOJI SUPPLIERS

CASH RECEIPTS JOURNAL (CRJ) – JANUARY 2013

Date	Details	Analysis of Receipts	Bank	Debtors Control	Sales	Cost of Sales	SUNDRIES	
							Amount	Details
			R	R	R	R	R	
4	Cash Sales	13 224	13 224		13 224	10 579.20 ¹		
12	GR Mkhize	5 224	5 224				5 224	Rent income
20	NS Khobotlo	30 075	30 075	30 075				
31	CR Bank	340	340				340	Interest earned
		48 863	48 863	30 075	13 224	10 579.20	5 564	

Calculations

$$^1 13\,224 * 100 / 125 = 10\,579.20$$

(b) CASH PAYMENTS JOURNAL (CPJ) – JANUARY 2013

Date	Details	Bank	Wages	Creditor's Control	Inventory	Sundry Accounts	
						Amount	Details
		R	R	R		R	
7	Wages	30 000	30 000				
14	Glades Stores	114 000		114 000			
19	Mpofu Ltd	228 000			228 000		
25	Telecom Ltd	5 700				5 700	Telephone
28	Glades Stores (353 400 – 114 000)	239 400		239 400			
29	Wages	24 000	24 000				
31	CR Bank	456				456	Bank charges
31	West Insurers	5 700				5 700	Insurance
		647 256	54 000	353 400	228 000	11 856	

(c) MOJI SUPPLIERS
PURCHASES JOURNAL – JANUARY 2013

Date	Details	Inventory	Creditors` Control
		R	R
3	Glades Stores	353 400	353 400

(d) MOJI SUPPLIERS

SALES JOURNAL – JANUARY 2013

Date	Details	Sales	Cost of Sales	Debtors` Control
		R	R	R
4	J Seymore	57 000	45 600	57 000

Calculations

$$^2 57\ 000 * 100 / 125 = 45\ 600$$

SOLUTION 2: ACCOUNTING EQUATION

COLD AIR CONDITIONERS

Date	Account to be debited	Account to be credited	Effect on the basic accounting equation		
			Assets	Equity	Liabilities
			R	R	R
2	Purchases (22 800 * 100 / 114) VAT Input (22 800 – 20 000)	Creditors` Control	+2 800	- 20 000	22 800

5	Insurance (3 420 – 420) VAT Input Drawings	Bank	420 - 4 560	- 3 000 - 1 140	
6	Peterson Manufacturers / Creditors` Control	Bank	- 5 000		5 000
9	Sales Returns (3 420 * 100 / 120) VAT Output (3 420 – 3 000) J Johnson / Debtors` Control		- 3 420	- 3 000	- 420
12	ANISU Bank: Loan	Bank	- 15 000		- 15 000
20	K Pillay / Debtors` Control	Sales (5 700 * 100 / 114) VAT Output (5 700 – 5 000)	+ 5 700	+ 5 000	+ 700
25	Salaries	Bank	- 125 000	- 125 000	
31	Bank	T Smit / Debtors` Control	+13 500 - 13 500		+25 000

SOLUTION 3: ANALYSIS OF FINANCIAL STATEMENTS (no longer part of the syllabus)

SOLUTION 5: TRUST ACCOUNTS & THEORY

(a) (i) BUX & PARTNERS

BUSINESS CASH PAYMENTS – MARCH 2013

Date	Details	Sundries	Bank
		R	R
1	Sheriff (client)	135	135
7	Water & Electricity	3 600	3 600
		3 735	3 735

(ii) BUX & PARTNERS

FEES JOURNAL – MARCH 2013

Date	Details	Clients control	Fees
		R	R
4	M Kubayi (client) (drawing will)	900	900
28	R Kwetsi (client) (divorce case)	6 500	6 500
		7 400	7 400

(iii) BUX & PARTNERS

GENERAL JOURNAL – JANUARY 2013

Date	Details	Debit	Credit
		R	R
16	D James (client) Interest income Interest charged on arrear account	50	50

(b) (i) Four management practice systems:

- Substantive systems;
- Document assembly systems;
- Administrative support systems;
- Calendar and tickler systems.

(c) Five steps in the human resource cycle a law practice should follow:

Choose any five of the following;

- ix. The recruitment and hiring of new employees;
- x. Training;
- xi. Evaluation;
- xii. Feedback;
- xiii. Compensation;
- xiv. Benefits;
- xv. Retirement;
- xvi. Promotion.

(d) Five items that should be included in a partnership agreement:

Choose any five of the following;

- the names of the different partners;
- the purpose and scope of the partnership;
- the capital contributions expected from the partners;
- the duties and limitations of the respective partners;
- the method to be followed to settle disputes;
- the rules to be followed for the withdrawal of partnership funds;
- the formula applied in the distribution of profits or losses;
- the provisions to be made for the possible dissolution of the partnership or termination of a partner's interest;
- the admission of new partners;
- the modification of the terms of the agreement.

MAY – JUNE

2014

SOLUTION 1: ACCOUNTING EQUATION

BROTHERS MANUFACTURERS

Date	Account to be debited	Account to be credited	Effect on the basic accounting equation		
			Assets	Equity	Liabilities
			R	R	R
2	Purchases	Creditors` Control		- 15 960	15 960
4	Drawings	Bank	- 1 540	- 1 540	
7	Bank	J Armstrong / Debtors` Control	+ 5 000 - 5 000		
10	Sales Returns	T Habana / Debtors` Control	- 1 140	- 1 140	
23	U Hala / Debtors` Control	Sales	+ 22 800	+ 22 800	
29	Jomo Suppliers / Creditors` Control	Bank	- 57 000		- 57 000
31	Credit Losses	T Smit / Debtors` Control	- 13 500	- 13 500	

SOLUTION 2: STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE (no longer part of the syllabus)

SOLUTION 3 CASH JOURNALS, BANK ACCOUNT & BANK RECONCILIATION STATEMENT

3.1 MALABA TRADERS

CASH RECEIPTS JOURNAL - NOVEMBER 2013

Details	Bank
	R
Provisional Total	12 987
A Atkinson – rent income (direct deposit)	450
C Campbell (overstated payment (2 771 – 1 772))	999
Total Receipts	14 436

CASH PAYMENTS JOURNAL – NOVEMBER 2013

Details	Bank
	R
Provisional Total	11 898
L Lamlela (dishonoured cheque)	135
Bank charges	53
Interest on overdraft	128
Total Payments	12 214

3.2 MALABA TRADERS

GENERAL LEDGER

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Bank Account							
2013 November 30	Total Receipts	CRJ	14 436	2013 November 1 30 30	Balance Total Payments Balance	b/d CPJ c/d	1 200 12 214 1 022
			14 436				14 436
December 1	Balance	b/d	1 022				

3.3 ROMA TRADERS

BANK RECONCILIATION STATEMENT AS AT 31 DECEMBER 2014

	DR	CR
	R	R
Debit balance as per bank statement	152	
Wrong credit	263	
Outstanding cheques: 610 Water & Electricity dated 30/11/2013	675	
Bank error (understated direct deposit (3 200 – 2 300))		900
Outstanding Deposits		1 212
Debit balance as per bank account	1 022	
	2 112	2 112

SOLUTION 4: ANALYSIS OF FINANCIAL STATEMENTS (no longer part of the syllabus)

SOLUTION 5: TRUST ACCOUNTS & THEORY

5.1 ANCO ATTORNEYS

TRUST CASH RECEIPTS JOURNAL – JANUARY 2014

Date	Details	Trust Creditors	Bank
		R	R
5	N Edwards (trust creditor)	750	750
21	R Malemone	480	480
		1 230	1 230

5.2 ANCO ATTORNEYS

TRUST CASH PAYMENTS JOURNAL – JANUARY 2014

Date	Details	Trust Creditors	Bank
		R	R
11	S Smith (trust creditor) (Advocate Kenyenza)	520	520
14	J Hodson (trust creditor) (Attorney R Durby)	1 100	1 100
27	N Edwards (trust creditor) (RD Cheque)	750	750
		2 370	2 370

5.3 ANCO ATTORNEYS

BUSINESS CASH PAYMENTS JOURNAL – JANUARY 2014

Date	Details	Sundries	Bank
		R	R
1	Office rent	7 800	7 800
3	Water & Electricity	980	980
9	Cash (petty cash)	500	500
14	Sheriff	35	35
19	Q Stationeries	375	375
30	Wages	1 350	1 350
31	Telephone	1 150	1 150
		12 190	12 190

OCTOBER – NOVEMBER 2013

SOLUTION 1: GENERAL LEDGER

DUDUZILE TRADERS

GENERAL LEDGER

1.1

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Sales Account							
				2012			
				January 1	Balance	b/d	291 000
				31	Bank	CRJ	129 000
				31	Debtors` Control	SJ	322 500
							742 500

1.2

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Debtors` Control Account							
2012				2012			
January 1	Balance	b/d	114 000	January 31	Bank	CRJ	154 500
31	Sales & VAT Output	SJ	367 650	31	Sales Returns & VAT Output	SRJ	83 790
			481 650	31	Balance	c/d	243 360
							481 650
February 1	Balance	b/d	243 360				

1.3

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
VAT Output Account							
2012				2012			
January 31	Debtors` Control	SRJ	10 290	January 31	Bank	CRJ	18 060
31	Balance	c/d	52 920	31	Debtors` Control	SJ	45 150
			63 210				63 210
				February 1	Balance	b/d	52 920

1.4

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Creditors' Control Account							
2012				2012			
January 31	Bank	CPJ	112 800	January 1	Balance	b/d	166 000
31	Purchases			31	Purchases & VAT Input	PJ	134 406
	Returns & VAT Input	PRJ	12 312				
31	Balance	c/d	175 294				
			300 406				300 406
				February 1	Balance	b/d	175 294

SOLUTION 2: ACCOUNTING EQUATION

SV TRADERS

Date	Account to be debited	Account to be credited	Effect on the basic accounting equation		
			Assets	Equity	Liabilities
			R	R	R
7	Purchases (7 000 – 15%)	Creditors' Control		- 5 950	+ 5 950
15	Allowance	T Talkative / Debtors' Control	- 576	- 576	
19	Land	Donation received	+ 78 000	+ 78 000	
23	Drawings	Bank	-12 000	- 12 000	
29	Customs Duty on spare parts	Bank	- 5 000	-5 000	
			-		

31	T Thoko / Debtors` Control	Interest Income	+ 245 (3 500 * 12% * 7 / 12)	+245	
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SOLUTION 3: ANALYSIS OF FINANCIAL STATEMENTS (no longer part of the syllabus)

SOLUTION 4: CASH JOURNALS, BANK ACCOUNT & BANK RECONCILIATION STATEMENT

4.1 MADISON TRADERS

CASH RECEIPTS JOURNAL – DECEMBER 2012

Details	Bank
	R
Provisional Total	73 620
S Sherman – creditor (stale cheque)	1 110
S Snikiwe – debtor (direct deposit)	1 800
Total Receipts	76 530

CASH PAYMENTS JOURNAL – DECEMBER 2012

Details	Bank
	R
Provisional Total	78 870
Forlife Insurance Company – insurance (stop order)	975
T Thompson (dishonoured cheque)	654
Bank charges	135
Interest on overdraft	96
Total Payments	80 730

4.2 MADISON TRADERS

GENERAL LEDGER

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Bank Account							
2012 December 1	Balance	b/d	5 256	2013 December 31	Total Payments	CPJ	80 730
	Total Receipts	CRJ	76 530		Balance	c/d	1 056
			81 786				81 786
2013 January 1	Balance	b/d	1 056				

4.3 MADISON TRADERS

BANK RECONCILIATION STATEMENT AS AT 31 DECEMBER 2012

	DR	CR
	R	R
Debit balance as per bank statement	1 296	
Wrong debit		4 350
Outstanding cheques: 171 Phone - up dated 17/12/2012	3 300	
193 Travel Printers dated 23/12/2012	2 250	
Outstanding Deposits		3 552
Debit balance as per bank account	1 056	
	7 902	7 902

SOLUTION 5: TRUST ACCOUNTS & THEORY

5.1.1 ANDERSEN ATTORNEYS

BUSINESS CASH PAYMENTS – DECEMBER 2012

Date	Details	Sundries	Bank
		R	R
5	Phoneall Ltd - telephone	590	590
13	Water & Electricity	1 328	1 328
20	Messenger of court	100	100
24	Paper suppliers - stationery	928	928
31	Rent	7 200	7 200
		10 146	10 146

5.1.2 ANDERSEN ATTORNEYS

TRUST CASH PAYMENTS JOURNAL – DECEMBER 2012

Date	Details	Trust Creditors	Bank
		R	R
8	J Dewey (trust creditor) R/D Cheque	1 724	1 724
10	L Vygotsky (trust creditor) (J Piaget & B Skinner – instructing attorneys)	4 930	4 930
15	D Dunton (trust creditor) (Advocate V Vernon – defence counsel)	2 500	2 500
		9 154	9 154

ANDERSEN ATTORNEYS

TRUST CASH PAYMENTS JOURNAL – DECEMBER 2012

Date	Details	Trust Creditors	Bank
		R	R
8	J Dewey (trust creditor) R/D Cheque	1 724	1 724
10	L Vygotsky (trust creditor) (J Piaget & B Skinner – instructing attorneys)	4 930	4 930
15	D Dunton (trust creditor) (Advocate V Vernon – defence counsel)	2 500	2 500
		9 154	9 154

5.1.3 ANDERSEN ATTORNEYS

TRUST CASH RECEIPTS JOURNAL – DECEMBER 2012

Date	Details	Trust Creditors	Bank
		R	R
1	L Leornard (trust creditor)	15 300	15 300
2	N Nxaba	6 900	6 900
		22 200	22 200

5.2.1 Four management practice systems that a law firm should consist of, for it to be regarded as a functional & organised practice:

- Substantive systems;
- Document assembly systems;
- Administrative support systems;
- Calendar and tickler systems.

5.2.2 Debentures differ from ordinary loans in that the borrower offers the debentures for sale to the public in terms of a debenture deed and with a trustee who protects the interest of the debenture holders.

MAY – JUNE 2013

SOLUTION 1: ACCOUNTING EQUATION

MAKGABI TRADERS

Date	Account to be debited	Account to be credited	Effect on the basic accounting equation		
			Assets	Equity	Liabilities
			R	R	R
5	Donations	Purchases		- 1 500 +1 500	
8	Service & maintenance	Vehicle	- 1 450	- 1 450	
15	Credit Losses	P Maswanganyi / Debtors Control	- 2 500	- 2 500	
20	Interest expense (5 700 * 12% * 4 / 12)	S Simbala / Creditors` Control		- 228	+ 228
24	C Sombane / Debtors` Control	Sales	+ 3 400	+ 3 400	
30	Loan from Finvech Bank	Bank	- 3 500		- 3 500

SOLUTION 2: CASH JOURNALS, BANK ACCOUNT & BANK RECONCILIATION STATEMENT

2.1 PHAKATHI TRADERS

CASH RECEIPTS JOURNAL – APRIL 2013

Date	Details	Bank
31	Subtotal	R 10 062
	Rent income	971
	Donation (stale cheque 804)	4 000
		15 033

Cash payments journal – 30 April 2013

CPJ

Date	Details	Bank
31	Subtotal	R 12 570
	S Sweater (R/D)	350
	Bank charges (102 + 175)	277
	Insurance	803
		14 000

2.2 PHAKATHI TRADERS

GENERAL LEDGER

Dr		Bank			Cr		
2013 Apr 30	Receipts	CRJ	R	2013 Apr 1	Balance	b/d	R
	Balance	c/d	15 033	30	Payments	CPJ5	2 337
			1 304				14 000
			16 337				16 337
				May 1	Balance	b/d	1 304

2.3 PHAKATHI TRADERS

BANK RECONCILIATION STATEMENT AS AT 30 APRIL 2013

	Debit	Credit
	R	R
Credit balance per bank statement		1 956
Debit incorrect deposit	4 268	
Deposit not yet credited		6 215
Cheques not yet presented for payment:		
no 895 - dated 28/3/2013 (BC Garner)	1 278	
no 903 - dated 3/04/2013 (SM Saltiel)	3 929	
Credit balance as per bank account		1 304
	9 475	9 475

SOLUTION 3: SHORT QUESTIONS & STATEMENT OF FINANCIAL POSITION **(no longer part of the syllabus)**

SOLUTION 4: ANALYSIS OF FINANCIAL STATEMENTS **(no longer part of the syllabus)**

SOLUTION 5: TRUST ACCOUNTS & THEORY

5.1.1 LEDWABA & MAKHURA ATTORNEYS

BUSINESS CASH RECEIPTS JOURNAL – FEBRUARY 2013

Date	Details	Clients	Bank
		R	R
28	Trust Bank (6 500 + 13 890)		20 390
28	A Venter (8 500 – 6 500)	2 000	2 000
		2 000	22 390

5.1.2 LEDWABA & MAKHURA ATTORNEYS

TRUST CASH PAYMENTS JOURNAL – FEBRUARY 2013

Date	Details	Trust Creditors	Bank
		R	R
28	Business bank		20 390
28	K Samuels (Trust creditor) (15 000 – 13 890)	1 110	1 110
		1 110	21 500

5.2.1 LEDWABA & MAKHURA ATTORNEYS

GENERAL LEDGER

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Trust bank Account							
2013 February 28	Balance	b/d	21 500	2013 February 28	Payments	TCPJ	21 500

5.2.2

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
Trust Creditors' Control Account							
2013 February 28	Trust Bank Transfers	TCPJ TJ	1 110 20 390	2013 February 28	Balance	b/d	21 500
			21 500				21 500

5.2.3 LEDWABA & MAKHURA ATTORNEYS

CLIENT'S LEDGER

Date	Details	Folio	Amount	Date	Details	Folio	Amount
			R				R
K Samuels Account							
2013 February 28	Balance	b/d	13 890	2013 February 28	K Samuels (trust creditor)	TJ	13 890

5.3 Terms that should be included in the financial planning of the law firm:

- Capital;
- Expenses;
- Income;
- Compensation;
- Borrowing.