INSTRUCTIONS

1. This paper consists of SIX (6) pages, Please see that you have them all.

2. ANSWER ALL FOUR (4) QUESTIONS.

3. Non-programmable calculators are permitted (use of cell-phones as calculators is not allowed).

4. Separate TRUST and BUSINESS books in all answers.

5. Use a ruler for drawing of all lines.

6. Suggested time allocations for each question are indicated in the questions.

7. No PENCIL workings or figures will be marked. Final answers must be in INK.

8. Marks will be deducted for untidy, slovenly and sloppy presentation of final answers.
QUESTION 1  

(Approx. 20 minutes)

Your Business Cash Book reflected credit (unfavourable) balance as at 30 June 2014 of R65 000.00. The Bank Statement dated 30 June 2014 reflected a debit (unfavourable) balance of R47 000.00. A comparison of the two revealed the following:

(a) overdraft interest of R1 000 charged to your bank account is not shown in the Cash Book

(b) issued cheques totalling R9 000 are not reflected on the Bank Statement

(c) a deposit of R5 000 was not reflected on the Bank Statement

(d) a Trust cheque issued for R1 500 incorrectly appears on the Bank Statement

(e) an unpaid (R/D) cheque from a client for R500 is not shown in your Cash Book

(f) a stop order for your car instalment of R2 000 is not reflected in the Cash Book

(g) a Trust deposit of R9 000 has been erroneously credited to the Business account

(h) an electronic (direct) deposit of R10 000 does not appear in your Cash Book

YOU ARE REQUIRED TO:

1.1 Prepare a Supplementary Business Cash Book for June 2014  
[8 Marks]

1.2 Prepare the Bank Reconciliation as at 30 June 2014  
[7 Marks]

[TOTAL Q1: 15 MARKS]
QUESTION 2.  
(Aprox. 20 minutes)

During the month of October 2014, you have been entering all the financial transactions and you have entered all fees due to you by clients. On 28 October your bookkeeper presents you with a list of balances in your client’s ledger accounts, as follows:

<table>
<thead>
<tr>
<th>CLIENT</th>
<th>TRUST LEDGER</th>
<th>BUSINESS LEDGER</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>James</td>
<td>R 34 201 (credit)</td>
</tr>
<tr>
<td>2.</td>
<td>Xulu</td>
<td>R  7 240 (credit)</td>
</tr>
<tr>
<td>3.</td>
<td>Maharaj</td>
<td>R  nil</td>
</tr>
<tr>
<td>4.</td>
<td>Norris</td>
<td>R 22 000 (credit)</td>
</tr>
</tbody>
</table>

You need to get some money into your business books to pay salaries at the end of the month.

2.1 Draw the transfer journal entries you would have to do (and which you are allowed to do), to get as much as possible transferred from your trust books to your business books. These you do on 28 October 2014.  

[12 Marks]

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

[2 Marks]

2.3 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).  

[4 Marks]

[TOTAL Q2: 18 MARKS]
QUESTION 3.  (Approx. 40 minutes)

You receive the following statement for the month of October 2014 from your correspondents, Who & Ho, whom you instructed to collect monies on behalf of your client, Cat.

**Collection Matter: Cat v Dog**
- To fee: Summons 600 200
- To paid Sheriff 90
- To fee: Default Judgement 210 70
- To fee: Writ 180 60
- Cash received from Dog 3 000
- To collection commission 300 100

To cheque herewith 2 050

3 430 3 430

YOU ARE REQUIRED TO:
3.1 Record all the above entries in your relevant books of account.
3.2 Pay client any monies due to them.

[TOTAL Q3: 37 MARKS]
You act for Mrs Hippo in a property transaction. She instructs you to draw a sale agreement in terms of which she sells her property to Mr Crock for R700 000, payable as follows:

1. A cash deposit of R100 000 is to be held in trust pending registration of transfer, and

2. The balance of R600 000 is to be secured by a first mortgage bond in favour of Nedbank for R550 000 and a second mortgage bond in favour of another client of yours, Mr Otter, for R50 000. You hold this sum in trust for Mr Otter.

The agreement provides for the transfer (including transfer duty) and bond costs amounting to an estimated R50 000 to be paid by the purchaser. The cost of drawing the agreement, in an agreed sum of R500, is to be shared and paid equally by the seller and purchaser.

On 4th September the parties sign the agreement and Mr Crock gives you two cheques: R100 000 (being the deposit) and R50 250 (being the transfer and bond cost together with his share of the costs of preparing the agreement). He also signs a mandate authorising you to invest his deposit in terms of Sect. 78(2A) of The Attorneys Act 53 of 1979 and to utilise his costs for payment of necessary disbursements regarding this transaction.

On 5th September you pay the transfer duty in the sum of R40 000 and deposit the R100 000 in a savings account at ABSA Bank in terms of S78(2A).

On 8th September your bank advises you that Mr Crock’s cheque for R100 000 has been paid by his bank but his cheque for R50 250 has been dishonoured and returned marked “Refer to Drawer”. On the same day Mr Crock calls at your office and pays R50 250 in cash.
On **10th October** you receive the written guarantee from Nedbank for the amount of the bond and the documents are lodged in the Deeds Office.

On **30th October** the transfer and bond are registered in the Deeds Office, you present the guarantee to Nedbank and uplift their cheque for R550 000. On the same day you close the S78(2A) investment and receive a cheque from ABSA for R106 000.

You now finalise all entries, enter fees due to you, including client’s share of the costs of the agreement, transfer funds as necessary and pay your client monies due to her and any monies due to the purchaser.

You are required to record all the above transactions in your cash books, ledgers and journals. (Your TRUST and BUSINESS books must be kept SEPARATE - marks will be deducted for non-compliance). IGNORE ALL VAT IMPLICATIONS.

[TOTAL Q4: 80 MARKS]

TOTAL FOR PAPER: 150 MARKS