INSTRUCTIONS

1. Answer **ALL FOUR (4)** Questions
2. This paper consists of **EIGHT (8)** pages. Please make sure you have them all.
3. Non-programmable calculators are permitted (use of cell-phones as calculators is not allowed)
4. Please use separate **TRUST** and **BUSINESS** books in all answers.
5. Please use a ruler for drawing of all lines.
6. Suggested time allocations for each question are indicated in 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.
9. Students are requested, in their own interest, to write legibly.
QUESTION 1 (Approx. 75 minutes)

You are an Attorney and Conveyancer practising in Pietermaritzburg. You receive an Agreement of Sale from estate agents, World Cup Estates (WCE). On a perusal of the document, you note:

1. The sale is between Ronaldo (as seller) and Messi (as purchaser) and relates to a residential property in Pietermaritzburg.

2. The purchase price is R999 000 payable against registration of transfer, which purchase price is to be secured by:

   2.1 A first mortgage bond in favour of First National Bank (FNB) in the sum of R900 000; and

   2.2 A second mortgage bond in favour of a friend of the purchaser’s (Villa) for the balance of the purchase price.

   2.3 The purchase price must be paid into your offices within 7 days, alternatively, must be guaranteed by an acceptable written guarantee within the same period.

3. The agreement appoints you as Conveyancer to register the transfer and the second bond in favour of Villa.

4. The agreement contains no mandate in your favour regarding the use of trust funds, save that you are authorised to pay WCE their commission of R20 000 against registration of transfer, out of the proceeds of the seller.
5. The purchaser is responsible for the payment of any costs relating to the transfer and bond.

The following are the related transactions in your office;

1/9 You prepare the transfer and bond documents for signature by the parties, together with a pro forma account for payment by the purchaser, as follows;

- Transfer fee: R 12 800
- Transfer Duty: R 30 000
- Bond fee: R 8 000
- Fee: postages & pett. expenses: R 200
- Amount Due: R 51 000

3/9 The purchaser and seller call at your offices and sign the necessary documents. The purchaser also pays your pro forma account in full.

4/9 You receive an acceptable guarantee from FNB for R900 000 payable against transfer.

5/9 Villa calls at your offices and hands to you a cheque for R100 000 to cover the balance of the purchase price payable by his friend, Messi. You advise him that the transfer will take approximately two months to register and, because of the delays, suggest to him that you invest the money on his behalf in terms of Section 78 (2A) of the Attorney’s Act No 53 of 1979. Villa then:

i) Instructs you to invest the monies on his behalf in terms of Section 78 (2A) until required on registration of the transfer and bond, and

ii) Signs the necessary mandate authorising the investment, and

iii) Instructs you to pay any balance of monies (including interest) to him against registration of the transfer and bond.
6/9 You carry out Villa’s instruction and invest the monies at ABSA bank.

11/9 You make payment of the Transfer Duty to the Receiver of Revenue.

12/10 The transfer and both bond documents are lodged at the Deeds Registry for registration.

15/11 The transfer and bonds are registered in the Deeds Registry, and on the same day you present the guarantee to FNB and uplift their cheque for R900 000. You also close the Sect 78(2A) investment and receive a cheque from ABSA for R104 000.

You now finalise all entries, enter fees due to you, transfer funds as necessary and pay all monies due or owing to the various parties involved in the transaction.

You are required to record all the above transactions in your cash books, ledgers and journals. IGNORE ALL VAT IMPLICATIONS.

Please note that your TRUST and BUSINESS books must be kept SEPARATE - marks will be deducted for non-compliance. Balance all books and accounts as at 16 November 2015.

[Total Q1: 64 marks]
QUESTION 2  
(Approx. 25 minutes)

You receive the following statement for the month of October 2015 from your correspondents, Who & Ho, who you instructed to collect monies on behalf of your client.

<table>
<thead>
<tr>
<th>Collection Matter: Cat v Dog</th>
<th>600</th>
<th>200</th>
</tr>
</thead>
<tbody>
<tr>
<td>To fee: Summons</td>
<td>600</td>
<td>200</td>
</tr>
<tr>
<td>To paid Sheriff</td>
<td>90</td>
<td></td>
</tr>
<tr>
<td>To fee: Default Judgement</td>
<td>210</td>
<td>70</td>
</tr>
<tr>
<td>To fee: Writ</td>
<td>180</td>
<td>60</td>
</tr>
<tr>
<td>Cash received from Dog</td>
<td>300</td>
<td>100</td>
</tr>
<tr>
<td>To collection commission</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3 000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3 000</td>
<td></td>
</tr>
<tr>
<td>To cheque herewith</td>
<td>2 050</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3 430</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3 430</td>
<td></td>
</tr>
</tbody>
</table>

YOU ARE REQUIRED TO record all the above entries in your relevant books of account, **AND** pay your client (Cat) any monies due to him.

[Total Q2: 37 marks]
Your Trust Cash Book balance as at 31 October 2015 reflected a debit balance of R66 208. The bank statement at the same date reflected a debit balance of R3 470.

A comparison of the cash book and bank statement for October 2015 reveals the following:

1. Interest credited by the bank in the sum of R7 108 has not been entered in your cash book;
2. Cheque no. 301 for R1 779 issued on 7 April 2015 has still not been presented to the bank for payment;
3. Cheque no. 524 for R17 218 has not yet been presented to the bank for payment;
4. A deposit of R33 114 made on 28 October 2015 is not reflected in the bank statement;
5. A cheque for R91 454 drawn on your business account has been paid from the trust account;
6. An unpaid cheque for R734 received from a client has not been entered in your cash book;
7. An electronic transfer of R30 000 paid by a client does not appear in your cash book;
8. The amount for cheque no. 522 for R 699 has been incorrectly entered in your cash book as R966;
9. A deposit is correctly shown for R 15 336 in the bank statement. In your cash book the figure is reflected as R15 633;

10. The amount for cheque 520 for R102 has been incorrectly entered in your cash book as R120;

11. You instructed your bank manager to transfer bank charges of R469 to your business bank account.

YOU ARE REQUIRED TO PREPARE The Supplementary Cash Book for October 2015, AND The Bank Reconciliation Account as at 31 October 2015.

[Total Q3: 21 marks]
QUESTION 4. (Approx. 25 minutes)

Your firm holds in trust the sum of R150 000 on behalf of Mr Zulu. You also hold on file a signed mandate from Mr. Zulu authorising you to invest his funds as and when he gives you an instruction to do so.

On 20 September 2015 he asks you to invest R120 000 into an interest-bearing account for his benefit.

On the same day he gives you a written mandate and asks you to draw a cheque for the balance of his funds as a wedding gift for his daughter, Prudence, which he will collect later in the day.

On 21 September 2015 you invest the monies at FNB in accordance with his instructions.

On 6 October 2015 he asks you to close the investment, pay him the interest, and hold the balance in trust pending his further instructions.

On the same day you close the investment account at FNB, receive a cheque for R124 000, and pay him the interest.

You are required to record all the above transactions in your cash books, ledgers and journals.

[Total Q4: 28 marks]