

# **ESSENTIAL PROFESSIONAL CONDUCT: LEGAL ACCOUNTING**

Bronwyn Olliffe, BA, LLB, LLM  
Senior Lecturer in Law,  
University Of Technology, Sydney



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# Introduction

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A knowledge of basic book-keeping is essential for every solicitor. In New South Wales, a practising solicitor is required by the Legal Profession Act 1987 to account for clients' money. The Act imposes the conditions to account and the Legal Profession Regulation 1994 prescribes in great detail how this must be done.

A solicitor in practice is also carrying on a business and must therefore meet the obligations of every person who carries on a business.

This book is an account of book-keeping procedures which will meet the requirements of the legislation. It is primarily intended to assist students studying degree or diploma courses in law and practical legal training. Other Professional Conduct topics are covered in the companion Cavendish text *Essential Professional Conduct: Legal Ethics* by Geoff Monahan. It is designed to assist those using manual book-keeping systems on the premise that those using computer systems must first understand the basic manual system. This book does not seek to explain accounting theory.

It is important that the newcomer to legal book-keeping begins the 'doing' as early as possible. With this in mind, a series of 'practice transactions' together with 'specimen accounts' have been provided. Once you have created the accounts of Potter and Associates, I am sure that any qualm you may have had about legal book-keeping will have been dismissed.

*Bronwyn Olliffe*  
*University of Technology, Sydney*  
*January 2001*

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# References

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*The Law Society of New South Wales, Legal Accounting Handbook Trust and Controlled Money*, 2nd edn, 1996, Sydney: Law Society of New South Wales.

The Law Society of New South Wales website for GST inquiries:  
<http://www.lawsocnsw.asn.au/practice/gst>

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# 1 The Duty to Account

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When a solicitor receives money to be held on trust, the general law obligations of a trustee apply. The duties of a trustee which apply to a solicitor in relation to trust funds include:

- a duty to keep and render proper accounts and to give full information when required;
- a duty not to deal with the trust property for his/her own benefit, or otherwise to profit by the trust;
- a duty not to mix trust funds with his/her own funds or with other funds;
- a duty not to delegate his/her duties or powers.

In addition to these duties, in New South Wales a solicitor's obligations are regulated by statute. The Legal Profession Act 1987 (LPA) imposes the conditions to account for client's money and the Legal Profession Regulation 1994 (LPR) prescribes in detail how this should be done.

In relation to the trust account, the prime sections of the Legal Profession Act are ss 61 and 62.

## **Section 61 of the Legal Profession Act**

Section 61 is the section which defines the type of money received by a solicitor and how the solicitor is required to account for money received in the course of practice as a solicitor.

The solicitor must:

- (a) hold the money exclusively for the other person; and
- (b) disburse the money in accordance with the directions of the person on whose behalf it is held.

If the money has all the following elements:

- received by a solicitor;
- in the course of practice as a solicitor;
- is to be held on behalf of another person,

then it will be s 61 money and must be either:

- (a) paid to the credit of a general trust account in New South Wales at an approved financial institution (in which case, it will be trust money);
- (b) paid as directed by the person on whose behalf the money is held (in which case, it will be transit money);
- (c) held under the control of the solicitor and paid as directed by the person on whose behalf the money is held (in which case, it will be controlled money).

In the case of trust money and transit money, the solicitor must comply:

- (i) before the end of the next working day or, if that is not practicable, as soon as practicable after the next working day; or
- (ii) no later than the day allowed by the solicitor's authority or instructions (if that day is later than (i) above).

Section 61(9) defines an approved financial institution as a bank, building society or credit union that has an agreement with the trustees of the Public Purpose Fund relating to the payment of interest on general trust accounts.

A solicitor is permitted by s 61(3)(b) to withdraw trust or controlled money in payment of work done, work to be done, disbursements paid and disbursements to be paid as long as the prescribed procedure is followed. The prescribed procedure is to be found in clause 32 of the LPR and is discussed later.

Section 61(3)(c) provides that the section does not affect any enforceable lien or claim that a solicitor has to any money. Neither does s 61 prevent a solicitor from exercising a general retaining lien for unpaid costs and disbursements in respect of money in a trust account or a controlled money account (other than money received subject to an express direction by the client with respect to the purposes for which the money is to be applied) (s 61(3)(d)).

A solicitor is not prevented from holding, or disposing of, a cheque or other negotiable instrument payable to a third party if the solicitor

does so on behalf of a client and in accordance with directions given by the client (s 61(3)(e)).

The lien may not be exercised for an amount in excess of the sum of the costs and disbursements unpaid and may not be exercised unless the solicitor has delivered a bill of costs and disbursements to the client on whose behalf the money is held (s 61(4)).

In relation to other withdrawals from the trust account, once the solicitor has received money on trust, he/she must hold the trust money for those beneficially entitled to it. The solicitor must deal with that money only pursuant to the directions of his/her client. In the case of *Adams v Bank of New South Wales* ([1984] 1 NSWLR 285, pp 290–92), Moffat P addressed the situation where a solicitor holds funds on behalf of a trustee:

... if a solicitor suspects that upon the money being paid to the client, he will apply some or all of it for purposes inconsistent with the client's duty as trustee ... no ground arises for the solicitor to refuse to perform his obligation as solicitor and pay the money as directed by his client. He might refuse to act further for his client, but he could not refuse to pay the money as directed by his client.

The 'trust account' of s 61 is a statutory type of account. Although a solicitor has a general duty as a trustee of the money paid to him or her, the mixing of the money of all the clients of the firm in the one account is authorised by s 61. The maintenance of the detailed accounting records which s 62 imposes on a solicitor is sufficient to remove any concerns which the general law might have with the 'mixing of trust funds'.

Section 61(8) provides that a wilful contravention of sub-s (1) or (2) is professional misconduct.

## **Section 62 of the Legal Profession Act**

A solicitor shall keep such accounting records as required which:

- disclose at all times the true position in relation to the money received;
- are kept in such a manner that enables them to be conveniently and properly audited;
- are kept in the manner prescribed by the Regulations.

Its aim is to ensure that a solicitor's accounting records at all times reflect the true position of each client's money.

The accounting records which are required are set out in the Legal Profession Regulation and we will consider each of them.

Section 62(4) states that a wilful contravention of sub-s (1), (2) or (3) is professional misconduct.

## **Wilful contravention**

There may be times when a solicitor is in breach of s 61 or s 62 due to a simple mistake. If, upon discovering the mistake, the solicitor takes immediate steps to remedy the situation, it is suggested that, on those occasions, the conduct of the solicitor would not be found to be professional misconduct.

*Per Mr Justice Hardie in Re Hodgekiss ((1962) SR NSW 340, p 353) in relation to the equivalent section under the previous Act:*

The section deals with personal breaches of the statutory provisions in question on occasions when the solicitor knew or believed that he was committing such breaches, or was recklessly careless in that regard.

Mr Justice Hardie went on to say that it was essential to examine the facts and circumstances relevant to the solicitor's state of mind, knowledge and intention at the material times. To determine whether a solicitor is guilty of professional misconduct, all of these factors will have to be taken into consideration.

A solicitor cannot delegate responsibility for the proper maintaining of the trust account. The Solicitors' Statutory Committee on the matter of Paul Vincent Wakim, reported in the supplement to the Law Society Journal August 1988, said:

The importance of a solicitor's personal involvement in the supervision of his trust account is well illustrated by the fact that, had the solicitor in the present case been so involved and made regular inspections of the bank reconciliation statements prepared by his accountant, he would have detected at an early stage the deficiency created by the wrongful deposit. That he did not involve himself in such personal supervision amounted to the sort of reckless carelessness referred to by Hardie J in *Re Hodgekiss*.

Neither can a solicitor abandon his/her obligations to a partner or employee of the firm. In *Re Mayes and the Legal Practitioners Act 1974* (1 NSWLR 19), Reynolds JA and Hutley JA stated, p 25:

It is no answer for the appellant to claim that he left the conduct of the financial affairs of the firm to his partner ... The existence of a system cannot relieve partners from personal vigilance.

## Fit and proper person

In order to remain on the Roll of Legal Practitioners, a solicitor must comply with his/her professional duty. A vital part of that duty is to comply with accounting obligations. As Street CJ stated in *Law Society of NSW v Jones* (1978, unreported, 27 July, NSWCA, p 10):

Reliability and integrity in the handling of trust funds are fundamental prerequisites in determining whether an individual is a fit and proper person to be entrusted with the responsibilities belonging to a solicitor.

The courts must protect members of the public who place their trust in their solicitor. In the matter of *Law Society of New South Wales v Shenker* ([1999] NSW ADT 37), the Tribunal made clear that its jurisdiction was protective and not punitive. The Tribunal referred to the judgment of Sheller JA in *Law Society of New South Wales v Bannister* (1993):

When the jurisdiction of the Tribunal is invoked under Pt 10, Division 7 of the Act to conduct a hearing into a complaint of professional misconduct by a legal practitioner, the primary consideration is to protect the public by preventing a person unfit to practice from holding himself or herself out to the public as a legal practitioner in who members of the public might repose confidence. The Tribunal must also act so as to deter the offender in the future and any other practitioner minded to behave in like manner.



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## 2 Legal Costs

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The amount which a solicitor is able to charge a client is governed by a number of factors. These include the fiduciary nature of the relationship between solicitor and client, market forces and legislative provisions.

The Legal Profession Reform Act 1993 introduced major changes to the system for the regulation of costing.

### **Costs disclosure**

The Legal Profession Reform Act 1993 introduced an obligation on legal practitioners to disclose the basis of their charges to clients. Section 175(2) of the LPA specifies those matters to be disclosed to the client:

- (a) the amount of the costs, if known;
- (b) if the amount of the costs is not known, the basis of calculating the costs;
- (c) the billing arrangements;
- (d) the client's rights under Division 6 in relation to a review of costs;
- (e) the client's rights under Division 4 to receive a bill of costs;
- (f) any other matter required to be disclosed by the Regulations.

Note that as 'costs' are defined in s 3 of the LPA to include disbursements, all disbursements must also be disclosed.

In those matters where the solicitor is unable to give a precise amount, s 177 of the LPA provides that a barrister or solicitor must disclose an estimate of the likely amount of the costs of legal services. Where an estimate has been provided the barrister or solicitor is to disclose any significant increase in that estimate.

The disclosure must be in writing, in plain language and must be made at the outset. The disclosure requirements apply to all professional work done by solicitors, including work for which scales are provided.



However, a number of decisions in the Family Court have highlighted its exclusive jurisdiction as to costs and thus disclosure requirements do not apply to matters in the Family Court. The Family Court has exclusive jurisdiction to determine costs disputes between solicitor and client in relation to Family Court proceedings.

The consequences of failure to disclose costs can be found in s 182 and include:

- (1) the client need not pay the costs of the legal services unless the costs have been assessed under Division 6;
- (2) proceedings for the recovery of the costs cannot be maintained unless the costs have been assessed;
- (3) the costs of any assessment are payable by the barrister or solicitor seeking to recover costs; and
- (4) is capable of being found to amount to unsatisfactory professional conduct or professional misconduct.

There are some circumstances in which a practitioner is *not* required to disclose the costs information prescribed by ss 175, 177 and 181 of the LPA on the grounds that it would not be reasonable to require disclosure. Those circumstances are set out in r 1 of the Solicitors' Rules of the Law Society of New South Wales and include:

- 1.2.1 When a practitioner receives instructions from, or is consulted by, a person who seeks the provision of a legal service which can be, or needs to be, performed immediately or soon after instructions for it are given, and there is no reasonably practicable opportunity to disclose the prescribed information in writing before the practitioner has performed all, or a significant part, of the legal services required; or
- 1.2.2 when the costs, excluding disbursements, to be charged by a practitioner are, or are reasonably estimated to be:
  - (i) where the client is an individual or a private company, no more than \$750; and
  - (ii) where the client is a public company, a subsidiary of a public company, a foreign company, a registered Australian body (within the meaning of the Corporations Law), a minister acting in his or her capacity as such, a government department or a public authority, no more than \$1500;

and the client has been advised that costs excluding disbursements will not exceed this amount ...

1.3.1 when a practitioner has:

- (a) agreed to provide to a client legal services, as they are specified and required by the client, and charge for them at a declared rate, or on an agreed basis; and
  - (b) disclosed to the client the intended billing arrangements and the other information prescribed by s 175 of the Act,
- and the agreement continues in force; or

1.3.2 when the calculation or estimation of the total costs of anticipated legal services are contingent on facts or events, not presently ascertainable by the practitioner, and the practitioner has disclosed, and continues to disclose, the costs estimated to be charged up to a particular time or event specified by the practitioner provided that the practitioner discloses the amount, or an estimate of the amount, of the total costs to be charged as soon as it is practicable to do so.

## **Costs agreements**

Although disclosure of costs and estimates is mandatory, costs agreements are optional (s 184(1) of the LPA).

A costs agreement is void if it is not in writing or evidenced in writing (s 184(4) of the LPA). A legal practitioner may make a conditional costs agreement, in which the payment of the practitioner's costs is conditional upon the successful outcome of the matter (s 186 of the LPA). A conditional costs agreement may provide for the payment of a premium on those costs otherwise payable under the agreement. The premium is not to exceed 25% of those costs (s 187 of the LPA). A conditional costs agreement may not provide that costs are to be determined as a proportion of, or are to vary according to, the amount recovered in proceedings to which the agreement relates (s 188 of the LPA).

Section 208D of the Legal Profession Act gives an assessor the power to set aside a costs agreement or part of a costs agreement where that agreement is unjust in the circumstances relating to it at the time it was made.

## **Costs fixed by regulation**

According to s 196 of the LPA, costs for certain legal services may be fixed by regulation. The regulations may make provisions for:

- (a) fixing fair and reasonable costs for legal services provided in any worker's compensation matter;
- (b) fixing the costs payable for the enforcement of a lump sum debt or liquidated sum for damages;
- (c) fixing the costs payable for the enforcement of a judgment by a judgment creditor;
- (d) fixing the costs payable for legal services provided in respect of probate or the administration of estates.

Costs for legal services in motor accident claims made after 5 October 1999 will be governed by the Motor Accident Compensation Act 1999.

## **Overcharging**

Deliberate misrepresentations and grossly excessive charging are declared in s 208Q(2) to be professional misconduct. Whether overcharging is professional misconduct or unsatisfactory professional conduct will depend on the circumstances surrounding the case.

Section 208P gives a costs assessor certain powers if the assessor finds that costs have been incurred improperly or without reasonable cause or have been wasted by undue delay or by any other misconduct or default. This includes the power to:

- (a) disallow the costs,
- (b) direct the barrister/solicitor to repay to the client costs which the client has been ordered by a court/tribunal to pay to any other party; and
- (c) direct the barrister/solicitor to indemnify any party other than the client against costs payable by the party indemnified.

A costs assessor must refer certain cases of misconduct to the Legal Services Commissioner (s 208Q).

## **Assessment of costs**

In New South Wales, there are two systems that govern the recovery of legal costs. The more common system used is the assessment of costs as it governs all solicitor/client costs and most NSW jurisdictions for party/party costs. It is defined in the Legal Profession Act and Legal Profession Regulations. The second system is under the Federal taxation system.

Bills of costs in New South Wales jurisdictions are assessed by assessors appointed by the Supreme Court. Written arguments are submitted to the assessor and neither party has the opportunity to present oral arguments or discuss their case. A costs assessor may require further particulars or documents to be provided (s 207 of the LPA). A legal practitioner who fails to comply with the request for further information under s 207 may be guilty of professional misconduct (s 207(6) of the LPA) and may be referred to the Legal Services Commissioner.

The basis of the test of allowing costs on a solicitor/client basis is whether they have been incurred fairly and reasonably. Section 208A of the LPA states what an assessor must consider:

- (a) whether or not it was reasonable to carry out the work to which the costs relate; and
- (b) whether or not the work was carried out in a reasonable manner; and
- (c) the fairness and reasonableness of the amount of the costs in relation to that work.

Section 208B lists additional matters to be considered by costs assessors in assessing what is a fair and reasonable amount of costs:

- (a) whether the barrister or solicitor complied with any relevant regulation, barristers' rule, solicitors' rule or joint rule;
- (b) whether the barrister or solicitor disclosed the basis of the costs or an estimate of the costs under Division 2 and any disclosures made;
- (c) any relevant advertisement as to the barrister's or solicitor's costs or skills;
- (d) any relevant costs agreement (subject to s 208C);
- (e) the skill, labour and responsibility displayed on the part of the barrister or solicitor responsible for the matter;
- (f) the instructions and whether the work done was within the scope of the instructions;
- (g) the complexity, novelty or difficulty of the matter;
- (h) the quality of the work done;
- (i) the place where and circumstances in which the legal services were provided;
- (j) the time within which the work was required to be done.

Upon making a determination, a costs assessor issues each party a certificate of determination (s 208J). The determination is final and binding. On the filing of the certificate in the office or registry of a court having jurisdiction and with no further action, it is taken to be a judgment of that court for the amount of unpaid costs.

There is a procedure in s 208KA of the LPA for the review of a costs assessor's determination. A dissatisfied party may, within 28 days after the issue of the certificate of determination, apply for a review to a review panel comprising two costs assessors. The initial determination is suspended until the review is completed.

An assessor is to decline to assess a bill of costs if, proper disclosure having been made, the costs are subject to a costs agreement which complies with the legislation (s 208C of the LPA).

After the passing of the Legal Profession Act, there was a series of cases in which Masters of the Supreme Court rejected the proposition that assessors had a duty to give reasons for their assessments. This all changed with the decision of the Court of Appeal in the case of *Attorney General (NSW) and Anor v Kennedy Miller Television Pty Ltd* ((1998) unreported, 30 June, CA40574/97). Since the *Kennedy Miller* case, a costs assessor has been required to give reasons when making a determination.

The requirement for a costs assessor to give reasons has now been enshrined in s 208JAA of the LPA.

## **Federal Court**

All party/party costs in Federal jurisdictions are governed by taxation. On taxation bills of costs must be prepared on scale (an exception is where there is a costs agreement in a Family Court matter, specifying an hourly rate which is higher than the scale). Party/party costs on taxation are allowed on the basis of 'necessary or proper'.

The necessary or proper test is a much narrower test than the fair and reasonable test. Party/party costs do not always include items which the profession generally would consider as reasonable. When preparing for a federal taxation, you must draw an itemised bill of costs on the relevant Federal Court scale. The bill is then served on the Costs Respondent and filed in the Federal Court. The parties' representatives attend the taxation and are able to make oral submissions as to why a particular costs item should or should not be allowed.

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## Party/party costs

It is difficult to give a good answer to the question of what is a party/party cost. Party/party costs are awarded by the Court. In general, 'costs follow the event'. This means that the unsuccessful party must pay the successful party's costs.

Party/party costs are defined in the New South Wales Supreme Court Rules (Pt 52, r 23) as:

On a taxation on a party and party basis, there shall be allowed all such costs as were necessary or proper for the attainment of justice or for enforcing or defending the rights of the party whose costs are being taxed.

On the other hand, regarding solicitor/client costs:

... costs shall not be allowed insofar as they are of an unreasonable amount, unless the amount has been approved by the client. Costs shall not be allowed insofar as they are unreasonably incurred, unless incurred with the approval of the client. (See (NSW) SCR Pt 52, Div 5, r 33.)

Most solicitors would argue that all their work is necessary or proper, yet it is still reduced on party/party taxation. Solicitors and clients must be aware that some work, even if practically necessary, will never be able to be claimed on a party/party basis.

'Indemnity costs' entitle a party to recover all of its costs incurred, usually from a certain date specified by the court. This date would be the date on which an offer of compromise was rejected.



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## 3 The Trust Account

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The Legal Profession Regulation 1994 regulates many aspects of legal practice. It covers matters such as the issue of practising certificates, registers of legal practitioners, foreign lawyers indemnity insurance, deposits with the Law Society, the Fidelity Fund and legal fees and costs. Part 7A, headed Trust Accounts and Controlled Money, is that part of the Legal Profession Regulations 1994 which deals with the Trust Account and it is on this Part that we now focus.

### General matters

Division 1 deals with general matters in relation to the trust account. It covers the following areas:

- definitions;
- keeping of records;
- computer system controls;
- money in transit;
- statements of account;
- receipt or withdrawal of money for costs and disbursements.

Clause 27 is the definitions clause and defines trust records to include:

- (a) original receipts (if not delivered to the person from whom trust money is received, or if cancelled) and duplicate receipts;
- (b) bank deposits;
- (c) cheques;
- (d) withdrawals by electronic funds transfer;
- (e) bank statements;
- (f) daily receipt and cheque transactions;
- (g) ledger account journal transfers and adjustments;
- (h) ledger transactions;
- (i) ledger trial balance statements;
- (j) monthly bank reconciliations;



- (k) duplicate copies of statements of account kept under cl 31(7);
- (l) authorities obtained under cl 55(1).

'Visible form' is defined to mean any record of information by means of which the information can be produced on demand in permanent legible form in the English language.

## **Keeping of records – cl 28**

Solicitors are required to maintain records in visible form (not pencil which may be altered) at an office at which the solicitor's practice is conducted and of which the Law Society has been notified. Records are to be retained for six years.

## **Computer systems control – cl 29**

Any accounting records maintained on computer must comply with this clause. The requirements include maintaining audit trails, controls over deletion of client's accounts and compulsory input requirements. Sub-section 10 requires the solicitor to ensure that a backup copy of all records is made at least once a month. The backup copy must be kept in a separate location.

## **Money in transit – cl 30**

Where a solicitor receives from a client money which is to be paid to another party and the solicitor delivers that money in accordance with those instructions within the prescribed time, there is no account keeping requirement.

The solicitor must pay all the money before the end of the next banking day or, if that is not practicable, as soon as practicable after the next banking day. At the very latest, no later than the day allowed by the solicitor's instructions.

## **Statements of account – cl 31**

A statement of account provides the client with a history of the matter and shows the balance, if any, remaining to the credit of the client's

ledger. Clause 31 of the LPR requires a solicitor to give a client a statement of account for trust and controlled money in the following circumstances:

- (1) on completion of the matter; or
- (2) on written request; or
- (3) after 30 June in each year.

It is to be provided as soon as practicable after any of the above events. Statements of account are not required at the end of June if:

- (1) the account is less than six months old; or
- (2) the balance of the account is zero and no transaction affecting the account has taken place within the last preceding 12 months; or
- (3) a statement of account has been delivered within the last preceding 12 months and there has been no subsequent transaction affecting the account.

The statement of account informs the client of all transactions in the trust account relating to the matter. It looks just like the trust or controlled money ledger. Clause 31(2) sets out the particulars that must be included:

- (a) the money received and held or controlled by the solicitor for or on behalf of the person;
- (b) the disbursement of the money;
- (c) the remaining balance (if any).

There is an example of a trust statement of account in the specimen accounts.

## **Receipt and withdrawal of money for costs and disbursements – cl 32**

This clause prescribes the procedures to be followed for the receipt and withdrawal of money for costs and disbursements from trust and controlled money to comply with s 61(3)(b). The procedures are discussed later in the text at p 54.



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## 4 Primary Accounting Records

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### Trust receipts – cl 34

The trust receipt is the source document which records the receipt of trust money. It is from this source document that the cash receipts book is written up and then posted to the ledger. It is vital that the information on the receipt is correct in all respects, so that subsequent entries and postings are also correct.

A solicitor must, as soon as practicable after receiving trust money, make out or cause to be made out a receipt which complies with sub-cl (2). Sub-clause (2) states that receipts must:

- be in duplicate;
- be machine numbered in series;
- contain the solicitor's firm name;
- contain the expression 'Trust Account' or 'Trust A/c'.

When the receipts are made out, they must include the following details:

- the date of the receipt;
- the amount of money received;
- the form in which it is received (cheque or cash or telegraphic transfer);
- the name of the person from whom, and the name of the person on whose behalf, the money is received;
- details identifying the ledger account to be credited;
- the reason for the receipt.

A solicitor must issue receipts in the numerical order of the series to which they belong (cl 34(4)).

The original of the receipt is to be delivered, on demand, to the person from whom the trust money is received (cl 34(5)).

Where an accounting system is used which simultaneously causes the particulars required under cl 34(2) to be entered in the cashbook,

then the entry of those particulars in the cashbook is considered to be a sufficient compliance with the requirement for a duplicate receipt.

This receipt, if completed in accordance with the Regulation, will comply. A completed receipt can be found in the Specimen Accounts.

Receipt: No 1

Date: \_\_\_\_\_

### TRUST ACCOUNT RECEIPT

Received From \_\_\_\_\_

the sum of \_\_\_\_\_

\$ \_\_\_\_\_ Cheque/Cash/Direct Deposit

For and on behalf of:

Matter No	Account Name	Matter Description
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Reason: \_\_\_\_\_

\_\_\_\_\_

Received by: \_\_\_\_\_

On behalf of: Potter and Associates

## Multi-receipt

From time to time, a client will give a solicitor one cheque (or cash) which covers a number of matters. The solicitor may issue one receipt which covers all matters. This is often referred to as a multi-receipt. The multi-receipt must detail the exact amount which is to be credited to each matter.

## Bank card

A solicitor may apply to operate as a merchant for credit card purposes. A credit card voucher may be acceptable trust funds and deposited to the trust account. The credit card must be of the type that permits the whole transaction amount to be credited to the trust

account. Any fees associated with the transaction must not be debited to the trust account.

## **Dishonoured cheque**

When the dishonour of a cheque which has been banked into your trust account occurs, the following procedure should be followed:

- (1) file the notification from the bank in the appropriate file;
- (2) record the dishonour in the cash receipts, including the reason for the reversal and entering the amount of the cheque as a negative amount;
- (3) post the entry to the debit side of the ledger;
- (4) where the dishonoured amount has been drawn against (this should not occur as any funds dealt with in the trust account must be cleared funds), then a deposit must be made from the office account to the trust account. A receipt is issued in the usual way, an entry made in the cash book and then posted to the credit side of the ledger;
- (5) check that the bank does not debit the dishonour fee from your trust account. The dishonour fee must be debited to your office account.

## **Cancelled receipts**

From time to time, you will need to cancel a receipt. A receipt must not be cancelled unless the original receipt has been retained. Clause 34(6) provides that the solicitor must retain any original receipt that is cancelled after issue. The most common reason for cancelling a trust receipt would probably be where a receipt was made out for trust when the money is due to the office account.

When cancelling a receipt:

- (1) keep the cancelled receipt in the receipt book;
- (2) write across the receipt and duplicate 'cancelled';
- (3) record the receipt number in the cashbook and write 'cancelled' next to it. This will keep the receipt numbers in consecutive order. No posting to the ledger.

## **Bank deposits – cl 33**

The bank deposit slip is the source document which provides evidence of the deposit of receipts of trust money into the trust bank account.

A solicitor must pay any trust money received into his or her trust bank account:

- before the end of the next banking day after the day of its receipt if that is practicable; *or*
- if that is not practicable, as soon as practicable after that day.

Sub-clause (2) of cl 33 provides that a solicitor must ensure that:

- a bank deposit record is produced to the bank at the time the deposit is made;
- that the following particulars are entered in the record:
  - the date of the deposit;
  - the amount of the deposit;
  - whether the deposit is in the form of cheques, notes or coins;
  - the details of the cheque, including the name of the drawer, the bank and branch and the amount.

A duplicate of the bank deposit slip is retained in the solicitor's bank deposit book. The bank teller should stamp and initial the duplicate deposit slip.

A bank deposit record is not required in the case of money credited directly to a bank account, electronically or otherwise. A solicitor must, of course, check that any funds deposited in this way have been received by the bank before drawing on those funds.

This deposit slip will comply with the Regulation if completed correctly.

A completed deposit slip can be found in the specimen accounts.

UTS BANK

Credit Listing

Drawer	Bank	Branch or BSB Number	Amount
1			
2			
3			
4			
5			
6			
7			
8			

Deposit date CSO Tellers – initials

Cash breakup

Total

**Cheques**

Trading date State Cr Tax  
cash

\$100  
\$50  
\$20

\$  
Total  
\$

Account name

\$10  
\$5  
Coin  
Total  
Change  
Total  
Cash

\$  
Total to Credit Summary  
\$

BSB number Account Number

[ ] [ ]

Cheques in this deposit are not available until cleared



## Trust cheques – cl 35

Clause 35 of the Regulation provides that trust money may only be drawn from a solicitor's trust bank account by way of a cheque or electronic funds transfer in accordance with the clause. It is therefore not possible to ever pay cash from the trust account to a client.

To comply with the Regulation, a cheque must:

- be machine numbered in series;
- include a crossing that has a direction to the drawee bank not to pay the cheque otherwise than to a bank (not negotiable);
- be payable to a named payee and not drawn to cash;
- contain the name of the solicitor's firm and the expression 'Trust Account' or 'Trust A/c';
- be signed by the solicitor, a partner of the solicitor or two persons authorised under cl 40 to sign the cheque.

In addition, the solicitor must draw the cheques in the numerical order of the series and must ensure that a record is made and maintained of that payment.

The record of the payment, in the case of cheques, is the cheque butt. Clause 35(3) requires that each cheque butt must record:

- the number and date of the cheque;
- the name of the payee;
- the amount of the payment;
- details identifying the ledger account to be debited;
- name of the person on whose behalf the cheque is drawn;
- reason for the payment.

Just as in the case of receipts, if the solicitor maintains an accounting system which simultaneously causes the particulars required under cl 35(3) to be entered in the cashbook, then the entry of those particulars in the cashbook is sufficient compliance for the required record.

The only alternative to withdrawing trust money by cheque is by way of an electronic funds transfer. Clause 35(5) sets out the way the transfer is to be carried out.

An electronic funds transfer is to be effected by, or under the direction or with the authority of:

- the solicitor; or
- a partner of the solicitor; or

- two persons authorised under cl 40 to effect an electronic funds transfer from the trust account.

For each electronic funds transfer, the solicitor must ensure that a record is kept of the following particulars:

- the name of the person effecting the transfer and, if the transfer is effected under the direction or with the authority of some other person, of the person under whose direction or with whose authority the transfer is effected;
- the details identifying the ledger account to be debited;
- the name of the person on whose behalf the amount is transferred;
- brief particulars of the subject matter;
- the purpose for which the money is transferred;
- the reference number or other means of identification of the transfer;
- the name or style of the bank account to which the money is paid, its number and identifying numbers of the receiving bank and its branch;
- the date of the transfer;
- the amount transferred.

### **Funds must be available**

Before a solicitor draws a trust cheque, the solicitor must check that the funds in that particular ledger account have been cleared. This means the solicitor must wait for the number of days that the bank has advised it will take a cheque to clear before drawing on that cheque.

If a solicitor needs to use funds provided by a client by way of a personal cheque, a special clearance of that cheque can be arranged on payment of a fee. The bank will then notify the solicitor when that cheque has been cleared and the funds are available to draw on. Clients are not always aware that personal cheques deposited into trust will take several days to clear. You should advise your clients of this or request that the money to be paid into trust be by way of a bank cheque (note, however, that bank cheques also take several days to clear).

Practitioners should always sight supporting documentation (and initial it so that it can't be used a second time) when signing cheques. It is essential that the firm has the authority to make the payment.

## **Who can sign a trust account cheque?**

Clause 35(2)(e) provides that a cheque must be signed by the solicitor, a partner of the solicitor or two persons authorised under cl 40 to sign the cheque.

Clause 40 provides that, when a solicitor is practising on his or her own account and is unable to sign the cheque with due expedition because of his or her illness, injury or absence for good reason or if the solicitor is practising in partnership and neither the solicitor nor any partner of the solicitor is able to sign the cheque with due expedition because of the illness, injury or absence for good reason of the solicitor and any partner of the solicitor, then the solicitor may delegate, in writing, *two* of the following to sign *jointly*:

- (a) a solicitor holding a current practicing certificate;
- (b) a registered company auditor;
- (c) the manager of the branch of the bank at which the solicitor's trust bank account is maintained;
- (d) a person approved of or nominated by the Law Society Council for the purposes of the delegation before the delegation is made.

The delegation must relate to a specific need and be notified to the Law Society.

The same provisions in cl 40 deal with controlled money withdrawals and the records of any electronic funds transfer.

## **Multi-cheque**

From time to time, a solicitor will need to draw a cheque with one payee which covers a number of matters. The solicitor may draw one cheque which covers all matters. This is referred to as a multi-cheque. The cheque butt must detail the exact amount which is to be debited from each matter. A common example of the use of a multi-cheque is in the payment of costs and disbursements from the trust account to the office account.

## **How to cancel a cheque**

It is possible to cancel a cheque in circumstances where the firm retains possession of the cheque.

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The Inspection and Investigation Division of the Law Society of New South Wales recommends the following procedure when cancelling a cheque:

- (a) the cheque is to be crossed 'cancelled' and the signature torn from the cheque;
- (b) the cheque butt/requisition is to be crossed 'cancelled' and the reason for the cancellation recorded;
- (c) the original of the cheque is to be retained and the cancelled cheque stapled to the cheque butt/requisition;
- (d) the entry is to be recorded in cheque number sequence in the cashbook with the notation reading 'cancelled', the reason for the cancellation and a nil dollar value recorded;
- (e) the entry is not posted to a ledger account under the manual accounting system.<sup>1</sup>

## How to stop payment on a cheque

When a mistake is discovered after a cheque has been issued to a third party it will be necessary to stop payment on the cheque.

The first step is to notify the third party to whom the cheque has been issued.

The issuing bank will need to be contacted and requested to issue a stop payment order. It is necessary to enter the reversal of the cheque in the cashbook by rewriting the entry in the cashbook, including the reason for the reversal and recording the amount as a negative amount. This will cancel the original entry.

A posting will need to be made to the ledger, this time on the credit side. (that is, on the opposite side to the posting for the cheque originally).

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1 Law Society of New South Wales, *Legal Accounting Handbook*, 1996, Sydney, pp 24–25.

## When is a cheque too old?

Section 3(5) of Cheques and Payment Orders Act 1986 (Cth) provides that a cheque which has been drawn and not presented for 15 months becomes stale. It will not be processed.

When a cheque becomes stale, the cheque should be stopped and the procedure set out in 'How to Stop Payment of a Cheque' should be followed.

At the time of the preparation of the Accountant's Report each year, the accountant must follow up any stale cheques on the bank reconciliation.

## Bank cheques

A bank cheque is a cheque drawn by a bank on itself. It is usually accepted in lieu of cash, but it is not the same as cash. When your bank issues a bank cheque, the bank does not treat it as cleared funds.

How do you obtain a bank cheque with trust money?

If, for example, you have a settlement of a conveyancing matter and you need to purchase a bank cheque for \$200,000.00 in favour of V Vendor with trust money, then there are two possible ways to do this:

- (1) draw a trust account cheque for \$200,000.00 in favour of 'UTS Bank' (the bank where you have your trust money) and, on the back, write 'Please issue a bank cheque for \$200,000.00 in favour of V Vendor'. You, as the solicitor authorised to operate the account signs here and on the front of the cheque; *or*
- (2) draw a trust account cheque in favour of 'UTS Bank for bank cheque in favour of V Vendor'.

Either way, UTS Bank will give you a cheque drawn by the bank for \$200,000.00 in favour of V Vendor.

Note: the first method allows the use of one cheque to obtain a number of bank cheques as required. The second method involves using one trust cheque for each bank cheque with associated fees and duties.

The bank charges a fee for the issuing of the bank cheque. This fee should not come from the trust account, but, rather, the solicitor should arrange to have the bank cheque fee(s) debited from the solicitor's office account.

The book-keeping procedures for recording the drawing of the cheque are exactly the same as for any other trust account cheque: details recorded on the cheque butt, entered in the cash payments book and posted as a debit in the client's individual trust ledger.



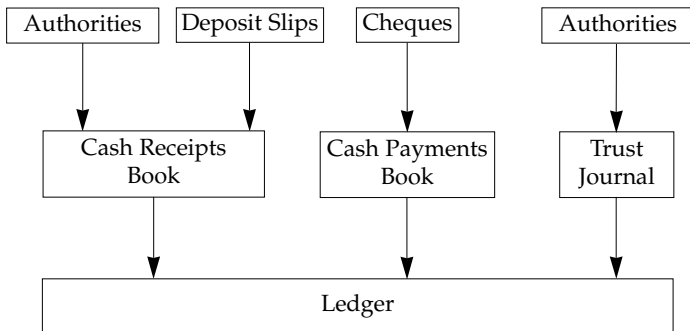
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## 5 Secondary Accounting Records

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So far we have looked at the primary accounting records of the trust system. Receipts, bank deposit slips, cheques, cheque butts and electronic funds transfer authorities make up the primary records.

Here is a diagram which shows the basic trust account system:



We now look at the secondary accounting records.

### Cash book – cl 36

Clause 36 of the LPR requires a solicitor to maintain a cash book. A cash book records the solicitor's side of transactions which affect the cash in our bank account. It records the money coming into the trust account and the money leaving the trust account. It is a summary of receipt and payment transactions and is written up from the



information on the receipts and cheque butts and electronic funds transfer authorities. The cash book is referred to as a book of first entry. It is the first time the information is written into an accounting book.

The format of the cash book may be decided by each firm so long as the information required is recorded. The Inspection and Investigation Division of the Law Society of New South Wales recommends the use of separate cash books, one for receipts and one for payments.

Clause 36 provides that:

- (1) A solicitor must keep a record of daily receipt and payment transactions.
- (2) The records must be in the nature of a cash book. The pages must be consecutively numbered and show the consecutive numbers of receipts issued or cancelled or cheques drawn or cancelled or, in the case of money received or disbursed by means of electronic funds transfer, the reference number or other means of identification of the transfer.
- (3) The solicitor must:
  - (a) in respect of the receipt of money – enter in the cash book the particulars required by cl 34(2) to be entered in a receipt for the money together with the date of the deposit of the money to the trust bank account and the amount of the deposit; and
  - (b) in respect of a payment of money – enter in the cash book the particulars required by cl 35(3) to be recorded for a cheque or required by cl 35(6)(b)–(f) to be recorded for an electronic funds transfer.
- (4) At the end of each named month, the solicitor must balance the cash book and:
  - (a) carry forward the balance to the commencement of the next month; or
  - (b) carry forward the balance to a ledger account, entitled the ‘Cash Book Control Account’, provided for the purpose.
- (5) The solicitor must, at the end of each named month, prepare a statement reconciling the balance of his or her trust bank account with the balance of the related cash book.

The following format of the cash receipts book will comply with the Regulation.

To comply with cl 36(3)(a), if the trust funds received are not banked on the day of receipt then this should be reflected in the cash

book. One line is taken to record the date of the deposit and the total amount banked that day is entered in the 'banked' column.

The following format of the cash payments book will comply with the Regulation.

Completed cash receipts book and cash payments book can be found in the specimen accounts.

Potter and Associates  
Trust Account Cash Receipts Book

For period // to //

Page

Date	Rec no form	Received from/ reason	Account name/matter no/ matter description	Multi AMT	Rec AMT	Banked

Potter and Associates  
Trust Account Cash Payments Book

For period // to //

Page

Date	Cheque no	Paid to/ reason	Account name/matter no/ matter description	Multi AMT	Rec AMT

To be able to provide up to date information, the cash book should be written up and posted to the ledger daily. The larger the firm and the more trust transactions which take place, the more important this becomes.

The entries in the cash book must then be posted to (recorded in) the ledger.

## **The ledger – cl 38**

Clause 38 of the Legal Profession Regulation 1994 provides that a solicitor must maintain a separate ledger account for each matter for each person for whom, or on whose behalf, trust money is held.

The ledger tells you how much money you are holding on behalf of each client in each matter. It is often referred to as a book of summary. The ledger is written up from the cash book or the journal. No posting should be made in the ledger until after the primary records and the entries in the cash book have been completed.

When posting to the ledger, the receipts are recorded in the credit column, while the payments are recorded in the debit column. The ledger also has a column that shows the progressive balance.

Each time a transaction is recorded, the balance must be adjusted. The client owns the money in the ledger, so the client is in credit to the solicitor. The balance shows how much the client is owed.

Each trust ledger for a client must have a credit balance or zero balance.

If the client's ledger reveals a debit balance, then, unless the ledger has a mathematical error, there must have been a breach of s 61 of the LPA. That is, some other client's money must have been used to meet a payment drawn against the account.

In addition to a ledger for each matter a client has money in the trust account, there is a ledger for the Bank. This is the Bank Control Account. The total receipts and total payments for each month are recorded in this ledger.

Clause 38(2) sets out the detail that must be recorded on the ledger account:

The ledger account must include the name of the person, a reference number or other identification and particulars of each transaction affecting trust money in relation to the matter, including the following:

- (a) the date of the transaction;
- (b) a description of the transaction;

- (c) particulars to identify the trust record originating the transaction;
- (d) the amount of the transaction;
- (e) the resulting current balance of account arising from the transaction.

This style of ledger will comply with the Regulation:

**Potter and Associates**

**Trust Ledger**

ACCOUNT NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

MATTER NO \_\_\_\_\_ MATTER DESCRIPTION \_\_\_\_\_

OTHER PARTY \_\_\_\_\_

SOLICITOR RESPONSIBLE  
HANDLING PARTNER \_\_\_\_\_

Date	Ref No	Received from/paid to journal To/from reason	Debit amount	Credit amount	Balance

The ledger is the core of the book-keeping system. Each transaction results in a double entry, one entry being a debit and the other a credit, so that once both entries are recorded and the balances of the ledger accounts are calculated from those entries; the total of all the debit balances should equal the total of all the credit balances.

The 'double entry system of book-keeping' is the principle upon which trust accounting is based. We are not making a study of the double entry theory of book-keeping here. However, you will need to

remember that every transaction is posted twice to the ledger – once as a debit and once as a credit. For every debit, there is a corresponding credit, and for every credit, there is a corresponding debit.

Sometimes, an item is posted to one account now and the corresponding item is only posted at the end of the month as part of a total.

A simple way to determine whether a transaction involves a debit or a credit entry in the ledger is:

- (a) where you have a cash book receipt – credit in the ledger (total receipts for the month will then be a debit in the Bank Control Account);
- (b) where you have a cash book payment – debit in the ledger (total payments for the month will then be a credit in the Bank Control Account).

## **False names in trust account**

Clause 38(3) continues to provide that:

The name of the person entered in the ledger account must be the name that the person claims is the person's name or the name that the person usually uses in the conduct of his or her business or professional affairs and must not be a name that the solicitor knows:

- (a) is false; or
- (b) is calculated to prevent the identification of the person for whom, or on whose behalf, the money credited to the account is held.

Prior to the LPR 1994, in the matter of *Cahill v The Law Society of New South Wales* (reported in the supplement to the Law Society Journal November 1988), the court considered the practice by the solicitor of maintaining accounts within the firm's trust account for clients in assumed names. The use of the pseudonym was to defraud the Department of Social Services. The solicitor was aware of this intention. The court found the solicitor's conduct to amount to professional misconduct.

## **Account in the name of a solicitor – cl 41**

Clause 41 of the LPR allows a solicitor to maintain a ledger account in the solicitor's name for two purposes:

- (a) for aggregating in the account, by transfer from other trust ledgers, money which is properly due to the solicitor for costs and disbursements. It must be withdrawn not later than seven days after the transfer;
- (b) for money in which the solicitor has a personal and beneficial interest (such as a vendor mortgagee or lessee). Where this money comprises a periodic payment, such as interest on rent, the solicitor must withdraw it not later than six months after the date on which the money was credited to the account. Otherwise, the money must be withdrawn at the conclusion of the matter to which it relates.

This Regulation superseded an earlier direction given by the Council of the Law Society following the decision of the Court of Appeal in *Johns' case* (*Johns v Law Society of New South Wales* (1982) 2 NSWLR 1). In that case, the Court of Appeal considered the propriety of the solicitor maintaining a personal account within the trust ledger system. The Court was of the view that a solicitor should not, as the solicitor cannot hold money on trust to which the solicitor is absolutely entitled. In such a situation, the trust account records do not disclose the true position in relation to the money received. The Court of Appeal made it clear that, on general law principles, a trustee should not mix the trustee's personal funds with the trust's funds.

In a later case, *Malfanti v Legal Profession Disciplinary Tribunal* (reported in the November 1993 supplement to the Law Society Journal), the Court of Appeal took a different view to that expressed in *Johns' case*. His Honour Mr Justice Clarke, in considering the propriety of having a ledger account containing a balance to cover unexpected debits to the trust account, said:

... I see nothing wrong with the solicitor maintaining an account in his own name in the trust account, provided, of course, that it is always in credit.

Of course, a solicitor may maintain a ledger account in the solicitor's name just for the purposes listed in cl 41.

## **Trust journal – cl 37**

In addition to the cash book, there is another book of first entry. That is the journal. No posting should appear in a client ledger unless the transaction has been recorded in a book of first entry.

In the trust account, that must either be the trust cash book or the trust journal.

The trust journal is used to record all transactions which are effected without any receipts or payments from the trust account. It is a movement of funds from one ledger account to another. This type of transaction does not alter the total balance of the firm's trust account in any way.

One of the most common uses of the trust journal is to record the transfer of money from a sale matter to a purchase matter for the same client.

The Trust Journal can also be used to correct an incorrect posting or where a cost clearing account is used by a solicitor to aggregate costs due to the solicitor, in accordance with cl 41 of the Regulation.

Clause 37 of the LPR prescribes:

- (1) A solicitor must record in a journal, maintained exclusively for his or her trust account, all transfers between accounts in the trust account ledger that are not effected by cheque.
- (2) The recording must include the following:
  - (a) the date of the transfer;
  - (b) the amount transferred to and from each ledger account;
  - (c) the names of all ledger accounts to be debited or credited;
  - (d) the relevant reference number or other identification;
  - (e) sufficient particulars to identify the transfer and the reason for the transfer.
- (3) The pages of the journal are to be numbered consecutively, and the record of each transfer, when entered in the journal, is to be numbered consecutively.



This format of the journal will comply with the Regulation:

**Potter and Associates**

**Trust Account Journal**

For period / / to / /

Page

Date	Journal ref	Account name/matter no/ matter description/reason	Debit	Credit

Examples of journal entries are in the specimen accounts.

To complete the 'Journal ref' column, the transaction number must be inserted. For example, the first internal transfer in the trust ledgers will be No 1. It is the same number for both the debit part of the transfer and the credit part of the transfer. The details of the ledger account from which the money is being transferred are recorded first. The amount is a debit. Next, the details of the ledger account to which the money is being transferred are recorded and the amount noted as a credit. Then, the reason for the transfer is entered.

To complete the 'Account name/matter no/matter description/reason', make sure you give full details of the matter and don't forget to record a full description of the reason for the transfer.

The entries in the journal are then posted to the individual ledger accounts. This effects a debit to the ledger account, from which the funds are being transferred, and a credit to the ledger account, to which the money is being transferred.

Of course, any transfer by way of the journal must be authorised by the person on whose behalf the money is being held. It is always best to obtain written authority, although this is not strictly required.

The Inspection and Investigation Division<sup>1</sup> recommends that firms maintain journal transfer authorisation docketts signed by the solicitor

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1 Law Society of New South Wales, *Legal Accounting Handbook*, 1996, Sydney, pp 31-32.

as the source record for all journal transfers. An alternative to this would be to have all solicitors initial each journal entry.

### **Practice without a trust account**

In those instances where a solicitor has determined not to maintain a trust account, the solicitor must never receive money on trust from a client. The practice will operate by requesting transit money (see cl 30 of the LPR) from the client and by the use of controlled money accounts (see cll 42–47 of the LPR).

Notwithstanding that the practice does not maintain a trust account, the affairs of the practice will still be investigated by inspectors from the Law Society. The power to investigate the affairs of solicitors is contained in s 55 of the LPA.



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## 6 The Office Account

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In a solicitor's practice, in addition to the trust account, an office account is maintained. The office account is entirely separate from the trust account, as it must be to reflect the duty of a fiduciary to keep the trustee's own money separate from the fiduciary's clients. The office account records the financial transactions of the business. Whereas the LPA 1987 and the LPR 1994 strictly regulate the way in which the trust account is operated, the way you operate your office account is up to you. No special regulations control it, except that you are under the same obligations that affect any business.

Section 262A of the Income Tax Assessment Act 1936 (Commonwealth) provides that every person carrying on a business shall keep sufficient records in English of his income and expenditure to enable assessable income and allowable deductions to be readily ascertained. The records must be retained for at least seven years after the completion of the transactions to which they relate.

Further, GST (Goods and Services Tax) is payable on legal services unless it is a GST-free or input taxed supply. Consequently, the legal practitioner will be liable to pay GST. This liability must be recognised and recorded in the office account. By s 8L of the Taxation Administration Act 1953 (Commonwealth), a person is guilty of an offence where that person keeps records in such a way that they do not correctly record and explain the transactions to which they relate.

Apart from the legislative requirements to maintain an office account, it is important that the owners of a legal practice are able to monitor the financial progress of that practice.

The system which is outlined here is only one of many possible. We will apply the same stringent account keeping requirements as in the trust account. The setting out of the office records that we will be using in the transaction accounts for Potter and Associates is slightly different from those used in the trust account.

### **Primary accounting records**

The primary records in the office account consist of:

- office receipts;

- office cheques and cheque butts;
- office bank deposit books;
- petty cash vouchers; and
- memoranda of costs and disbursements.

The first three are all familiar to us from the trust account and are completed in exactly the same way.

The final two are found in the office account only. We shall look at memoranda of costs and disbursements and petty cash vouchers when we examine the secondary records to which they relate.

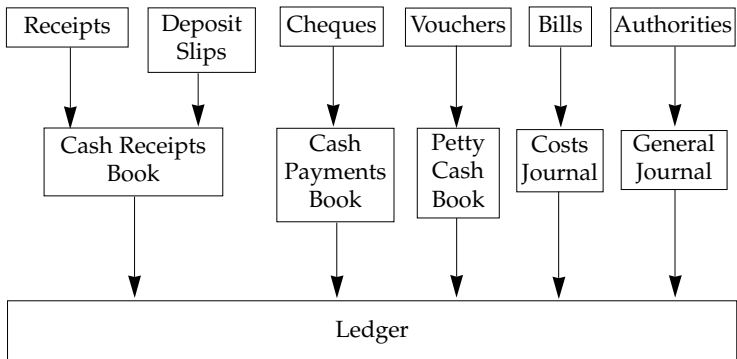
## Secondary records

The secondary records in the office account consist of:

- office cash book – one for receipts and one for payments;
- petty cash book;
- costs journal;
- office journal (or general journal).

The cash book in the office account is maintained in the same way as the cash book in the trust account. However, the office cash book has six additional columns of information. These are to record necessary details for the GST.

Here is a diagram that shows the basic office account system:



## Petty cash book (or petty cash journal)

There are times when a purchase is too small for the use of a cheque or an organisation from which the firm is purchasing will not accept a cheque. In these instances, cash will have to be used to make the purchase. A common use of the money in petty cash is to buy coffee and biscuits to sustain the firm! The petty cash book acts as a record of these cash purchases and enables you to keep an eye on how much you are spending on these purchases. From the petty cash book, appropriate entries are posted to the office ledger.

To create 'petty cash', a cheque is drawn to 'cash'. This is often referred to as 'the float'. The cheque is cashed and the money placed in a security tin. (It often helps to understand petty cash if you can visualise the tin with the money in it, so let's say the cheque is for \$200. Visualise the \$200 in the tin!)

The accounting procedures that must be followed when you draw that cheque to 'cash' for the float are:

- (1) draw the cheque;
- (2) complete the cheque butt;
- (3) record the drawing of the cheque in the office cash payments book;
- (4) post it to the ledger as a debit in the private ledger account petty cash;
- (5) record in the receipts column of the petty cash book.

When the money in the tin is used to make a purchase, the general practice is:

- (1) complete a petty cash voucher;
- (2) record the entry in the petty cash book including GST details;
- (3) post the entry in the ledger account showing the source as PC (petty cash), together with the page number of the petty cash book. This is posted as a debit.

Commonly, the writing up of the petty cash book does not occur on a daily basis. That is one of the reasons it is important that the primary record, the petty cash voucher, is completed each time money from petty cash is spent.

Here are the book-keeping entries where the float is \$200 and \$8.60 is spent purchasing coffee and biscuits.

**Office Account Cash Payments Book**

Date of Payment	Cheque no	Client name & matter description	Paid to	Purpose of payment	Ledger A/C no	GST	Amount for ledger		Total amount on face of cheque
							Taxable	Non-taxable	
2001 Jan 2	123456	Petty cash	Cash	Petty cash	PL6			200.00	200.00

**Office Account Ledger**

Account name: Petty cash  
 Account number: PL6

Date	Received from or paid to	Purpose	Ref no	DR	CR	DR/CR	Balance
Jan 2	Cheque cashed	Petty cash	PI23456	200.00		DR	200.00

**Petty Cash Book Folio 1**

Receipts	Date	Particulars	Ledger A/C no	GST	Amount for ledger	Total Payment
2001					Taxable	Non-taxable
200 00	Jan 2	OFFICE - cash				
	2	Office refreshments Coffee and biscuits	PL8			8.60

### Office Account Ledger

Account name: Office refreshments  
 Account number: PL8

Date 2001	Received from or paid to	Purpose	Ref no	DR	CR	DR/ CR	Balance
Jan 2	Petty cash	Coffee and biscuits	PC1	8.60		DR	8.60

### Costs journal

In order to be paid for work which has been carried out on the instructions of a client, a firm sends out a bill of costs to that client. The bill informs the client of the amount owing for costs and disbursements in a particular matter. The bill is the primary record from which the costs journal is written up. The costs journal is used to record all bills issued by the firm. It is only the costs (that is, the legal fees) component of the bill that is recorded in the costs journal. Disbursements are paid by cheque or out of petty cash so they appear in the ledger.

The procedure to be followed when sending a bill of costs is:

- (1) prepare the bill;
- (2) record the costs (that is the fee you have charged for your services) in the costs journal;
- (3) record the rendering of the costs in the client's ledger account as a debit to the client.

Here is a page of the costs journal after two entries:

- (1) On 2 February 2001, you prepared a bill in accordance with your costs agreement in the matter of Len Affleck purchase of 12 Fountain Street, Cronulla. The costs component was \$875.00 and the disbursements totalled \$225.00. Balance due and owing \$1100.00.
- (2) On 5 February 2001, you prepared a bill in accordance with your costs agreement in the debt recovery matter of Tommy Depp and Ichabod Krane. The costs component was \$1,725.00. All disbursements were paid out of the trust account and so did not appear on the bill of costs.



**Costs Journal Folio 1**

Date	Client	Particulars	Ledger A/C No	Amount
2001				
Feb 2	Len Affleck	Purchase 12 Fountain Street, Cronulla	CL1	875 00
Feb 5	Tommy Depp	Debt recovery Ichabod Krane	CL2	1,725 00

Post each entry to each client ledger account.

**Office Account Ledger**

Account name: Len Affleck  
 Purchase 12 Fountain Street, Cronulla  
 Account number: CL A1

Date	Received from or Paid to	Purpose	Ref no	DR	CR	DR/CR	Balance
2001							
Jan 25	To Speedy Enquiries	enquiries	P123457	225.00		DR	225.00
Feb 2	Costs rendered		CJ1	875.00		DR	1,100.00

Account name: Tommy Depp  
Debt recovery from Ichabod Krane

Account number: CL D1

Date	Received from or paid to	Purpose	Ref no	DR	CR	DR/ CR	Balance
Feb 5	Costs rendered		CJ1	1,725.00		DR	1,725.00

When each client pays the bill on 10 February, then the amount paid will be entered via the office cash receipts book and then posted to the client ledger to give a nil balance.

#### Office Account Ledger

Account Name: Len Affleck  
Purchase 12 Fountain Street, Cronulla  
Account Number: CL A1

Date	Received from or Paid to	Purpose	Ref no	DR	CR	DR/ CR	Balance
Jan 25	To Speedy Enquiries	enquiries	P123457	225.00		DR	225.00
Feb 2	Costs rendered		CJ1	875.00		DR	1,100.00
Feb 10	By Affleck	Costs	R123492		1,100.00		Nil

Account name: Tommy Depp  
 Debt recovery from Ichabod Krane  
 Account number: CL D1

Date	Received from or paid to	Purpose	Ref no	DR	CR	DR/ CR	Balance
Feb 5	Costs rendered		CJ1	1,725.00		DR	1,725.00
Feb 10	By Depp	Costs	R123493		1,725.00		Nil

At the end of the month, the costs recorded in the costs journal for that month are totalled and that total is posted in the private ledger account costs rendered as a credit. This entry will balance the sum of all the individual amounts that have been entered as debits in the individual clients accounts.

## Bill of costs

Any bill of costs prepared should be in accordance with the disclosure made by the solicitor and with any costs agreement made between the solicitor and client. You can never have too much information in a bill of costs. A narrative at the beginning of a bill of costs will remind the client of all the good work you have completed for him or her.

Clause 22A of the LPR sets out the particulars to be included in a bill of costs for the purposes of s 193(1) of the LPA. If the bill refers to a disclosure document or costs agreement and the costs are calculated on the basis set out there, the particulars which must be included are:

- (a) a description of the legal service provided;
- (b) the total amount of the costs charged; and
- (c) any intended claim for interest under s 190 of the Act if the costs are not paid (including the rate of interest).

In preparation of all other bills, the additional information which must be included is:

- (d) the work done in providing the legal services;
- (e) the period over which that work was done;
- (f) the identity of the persons who did that work (including the position of the person, for example, partner, associate);
- (g) the basis on which the costs have been calculated and charged (whether on a lump sum basis, an hourly basis, on items of work basis, a part of proceedings basis or other basis);
- (h) the facts relied on to justify the costs charged by reference to the above, the practitioner's skill, labour and responsibility, the complexity, novelty or difficulty of the matter, the quality of the work done or any other relevant matter.

Section 190 of the LPA further provides that the rate of interest that may be charged is the rate prescribed by the Supreme Court Act 1970 in respect of unpaid judgments of the Supreme Court or the rate prescribed by the Regulations.

If costs have not been paid after 30 days from the giving of the bill, proceedings for the recovery of costs can be commenced (s 192 of the LPA).

After a brief description of the work carried out, the basis on which the costs are calculated a lump sum figure of the professional costs should be stated. Next you should list under the heading 'disbursements' prepared from the client's office ledger account all disbursements which remain outstanding. In some matters, you may

have a further heading 'future disbursements' or 'estimated disbursements', where you will list disbursements which will be incurred in the near future. Any disbursements that have been paid from the trust account should NOT appear on the memorandum of costs and disbursements. These disbursements will appear on the trust account statement required by cl 31 of the LPR. In many instances, you will need to prepare a trust statement at the same time as the bill of costs. A trust statement and a bill of costs may be prepared on the same page with one signature at the end. Note that there is no 'yours faithfully' on a bill of costs (or on a trust statement).

The bill must be signed by the solicitor, partner or employee (s 194 of the LPA). It is sufficient compliance with this section if a letter that is so signed is attached to, or enclosed with, the bill of costs.

## **GST and the bill of costs**

Another item which must appear on the bill is the GST (Goods and Services Tax) payable on the total cost of the supply of legal services. This should cover professional costs and disbursements (where applicable). Practitioners will need to determine whether the disbursement is one which has been paid to a third party as agent for the client. If this is the case, then GST is not added. Other disbursements will need to have GST added.

Where the bill of costs is to serve as a tax invoice then it must be prepared in a way which satisfies the requirements of the GST Act and reg 245. The following information must be included on the tax invoice, where the invoice is for more than \$1000.00:

- (i) the words 'tax invoice' stated prominently;
- (ii) the supplier's ABN;
- (iii) the date of issue of the tax invoice;
- (iv) the name of the supplier;
- (v) the name of the recipient;
- (vi) the address or ABN of the recipient;
- (vii) a brief description of each thing supplied;
- (viii) the quantity of each thing supplied;
- (ix) the price of the supply.

In those firms where accounting for the GST is on a cash basis, no recording of GST is required at the time of sending the bill. This means

that there is no recording of the GST component in the Costs Journal. When the bill is paid, the GST component will be recorded in the cash book and then in the GST ledger. Here is an example of a bill of costs and disbursements.

**Bill of Costs**

Potter and Associates

ABN 12345

‘Tax Invoice’

2 February 2001

Our Ref:

Your Ref:

Mr L Affleck  
17 Mars Road  
BUNDEENA NSW

Your Purchase 12 Fountain Street, Cronulla

To our costs in this matter including receiving instructions, negotiating special conditions, exchanging contracts and settlement, in accordance with our costs agreement

dated 4 January 2001	875.00
GST @ 10%	87.50
	962.50

**Disbursements**

Speedy Enquiries	225.00
Balance due and owing	1,187.50

With compliments  
Potter and Associates

Per: Signature of partner

Interest: If this is not paid within 30 days interest may be charged at the rate of \_\_%.

Note: The current interest rate must be inserted.

## **A transfer from trust to office**

Sometimes when you send out a bill of costs to a client, there will be money in that client's trust account for that matter. Whether you can use those trust funds to pay for professional costs is governed by s 61(3)(b) of the LPA and cl 32 of the LPR.

Section 61(3)(b) provides:

(3) This section does not operate—

...

(b) to prevent a solicitor from withdrawing or receiving from trust money or controlled money:

- reimbursement for disbursements paid by the solicitor, or
- money for disbursements to be paid by the solicitor, or
- money due, or to accrue due, to the solicitor for costs,

if the prescribed procedure is followed.

The prescribed procedure referred to is contained in cl 32 of the LPR.

Clause 32(2) provides that:

A solicitor who has disclosed information about the costs of legal services in accordance with s 175 of the Act or who can reasonably claim the disclosure was not required (s 180) may use trust or controlled money for the purposes of s 61(3)(b) if any of the following circumstances apply:

- (a) the solicitor has delivered to the person a bill of costs in accordance with Pt 11 of the Act and the person has authorised the withdrawal or receipt; or
- (b) the solicitor has delivered to the person such a bill of costs, together with written notice that, unless the person objects, the solicitor intends to withdraw the money and to apply it towards payment of the bill at the expiration of 30 days after the delivery, and that period has expired without an objection being made to the solicitor, or
- (c) an objection having been made, neither the person nor the solicitor has referred the bill of costs for assessment within the time limited by s 192(1) or 201(2) of the Act and at least 30 days have passed since the objection was made to the solicitor; or
- (d) a determination of the solicitor's costs has been made under Pt 11, a certificate setting out the determination has been served on the person and the time limited for an appeal against the determination has expired.

Otherwise, a determination under Part 11 is required.

After the client authorises the solicitor to use the money in trust to pay the costs and disbursements or a part of them, then the solicitor can transfer the money from the trust account to the office account. Once cl 32 has been followed, the transfer procedure is:

- 1(i) write a trust cheque and complete the butt (several transfers from several ledger accounts can be included in the one cheque, with each ledger account shown in the cash book; alternatively, several transfers can be made to a special trust ledger account by journal entry and, from there, by one cheque to office);
  - (ii) record that cheque in the trust cash payments book as a payment;
  - (iii) record the amount in the trust client's ledger account as a debit.
- 2(i) write an office receipt for the cheque and write an office bank deposit slip including the cheque and bank the cheque;
  - (ii) record the receipt details in the office cash receipts book as a receipt;
  - (iii) record the amount of the receipt in the office client's ledger account as a credit.

Remember the trust account and the office account are entirely separate accounts.

## Office ledger

The office ledger follows the same principles as the trust ledger. In the office system, it is convenient to divide the ledger into two parts:

- (1) the private ledger, or business ledger (PL); and
- (2) the client ledger (CL).

The private ledger is that part of the ledger which we use for any office expenses such as rent, stationery, capital contributions by the partners or postage. These all relate to the carrying on of the business of being a legal practitioner.

The private ledger accounts will generally be a record of expenditure which will not be recovered. These ledger accounts will always be in debit.

In the private ledger, take care with the petty cash ledger and the costs rendered ledger. The only time postings will be made in the petty



cash ledger will be when a cheque is drawn to put money into petty cash and when the total payments are recorded at the end of the month.

The costs rendered ledger is posted with the total costs for the month at the end of the month.

Each client matter will have a client ledger. On those occasions when a disbursement is incurred in a matter where there is insufficient money in trust, then that disbursement will be paid out of the office account. An entry will be made in the office cash payments book and then it will be posted as a debit to the client's ledger.

The client ledger accounts should eventually balance out to nil by the client paying the costs and disbursements.

When posting to the office account ledger, make sure you complete all the details in each column. The reference column is for the receipt number or cheque number. The column headed 'DR/CR' next to the 'balance' column, refers to the balance, not whether the posting is a debit or a credit.

Remember, in the office account, the only ledgers that will have a credit balance are the capital accounts of the partners and the costs rendered account. All other ledgers will be nil or in debit. If you find you have an office ledger in credit (apart from capital or costs rendered), you have made an error – probably, you have transferred too much money from trust to office. If so, you are in breach of the Legal Profession Act, as money which was given to you, on trust, is now in your office account.

## **General journal**

Practitioners use this journal to record financial entries of a non-cash nature. It is used for the same purpose as the trust journal to show the movement of money from one ledger account to another. At times, credit facilities may be used in the purchase of an asset or expense. To reflect a current financial position, the purchase must be recorded and this is where that occurs.

The journal is also used to correct errors in ledgers and is used in the preparation of financial accounts.

If a law firm contracted with Computer Works for the purchase of three computers which the firm had agreed to buy for \$6,300 – payable by 10 monthly instalments of \$630, the detail would be recorded as follows.

**General Journal Folio GJ1**

Date	Particulars	Folio	Debit	Credit
27 Jan	Office equipment	PL9	6,300.00	
	Computer Works computers	PL10	6,300.00	

**Office Account Ledger**

Account name: Office Equipment  
Account no: PL9

Date	Received from or paid to	Purpose	Ref no	DR	CR	DR/ CR	Balance
27 Jan	Owed to Computer Works	purchase computers	GJ1	6,300.00		DR	6,300.00

Account name: Computer Works  
Account no: PL10

Date	Received from or paid to	Purpose	Ref no	DR	CR	DR/ CR	Balance
27 Jan	Owed re purchase 3 Computers	Credit terms	GJ1		6,300.00	CR	6,300.00
28 Jan	to Computer Works	1st instalment on computers	P359276	630.00		CR	5,670.00

These entries record in the ledger that you have acquired an asset (computers) valued at \$6,300.00 as well as a liability to pay Computer Works \$6,300.00 by instalments. The two ledger accounts must be set up. Remember that nothing can appear in the ledger without coming through a journal or cash book. At the time of acquiring the asset and incurring a liability, no cash payment has been made and no costs are involved. This leaves the general journal to record the transaction.

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# 7 Balancing the Books

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## Balancing the cash book

Clause 36(4) of the LPR states:

- (4) At the end of each named month, the solicitor must balance the cash book and:
  - (a) carry forward the balance to the commencement of the next month; or
  - (b) carry forward the balance to a ledger account, entitled the 'Cash Book Control Account' provided for the purpose.

Apart from this legislative requirement for balancing the cash book, the balancing of the cash book is the first step to check the accuracy of the firm's accounting records.

There are a number of methods which can be used to produce a cash book balance. Two of those methods are discussed below.

### (i) Cash book summary

To prepare a cash book summary you must:

- (1) total the receipts for the month;
- (2) record that total after the last entry for the month: date, total receipts;
- (3) total the payments for the month;
- (4) record that total after the last entry for the month: date, total payments;
- (5) prepare the cash book summary on the cash payments book after the Total Payments entry:

### Cash Book Summary

Opening balance	\$
Plus receipts for month of _____	\$
Less payments for month of _____	\$ _____
Closing balance	\$ _____

The opening balance is the closing balance from the previous month. This will be found in the cash book control account ledger;

- (6) post the total receipts for the month to the cash book control account in the ledger. This will be posted in the DEBIT column;
- (7) post the total payments for the month to the cash book control account in the ledger. This will be posted in the CREDIT column;
- (8) record the closing balance in the BALANCE column.

#### (ii) Cash book balance

- (1) Total each of the final two columns of the cash receipts book. The 'amount' column will be the total receipts for that month only. The 'banking total on deposit' column will be the total of the receipts for that month together with the balance from the previous month. Record the date, total receipts and the cash book control ledger account reference.
- (2) Total each of the final two columns of the cash payments book. The 'amount' column and the 'amount on the face of the cheque' column should equal the same amount. Record the date, total payments and the cash book control ledger account.
- (3) On the cash payments book, calculate the difference between the total of the receipts (using the figure in the bank column which includes the opening balance) and the total of the payments. This difference is the cash book balance.
- (4) Enter the cash book balance at the top of the cash receipts book for the next month.

If the cash book is overdrawn, the balance is recorded as the first entry of the cash payments book.

- (5) Where a ledger account is being used to record monthly balances in the bank account, post to that ledger account. The total receipts are posted as a debit and the total payments are posted as a credit. Post the balance.

Either method of balancing the cash book can be used, both in the trust account and the office account. In the office account, additional columns (GST, Taxable Amount for Ledger, Non-Taxable Amount for Ledger) need to be totalled and recorded on the cash book. The GST amounts on both receipts and payments sides must be totalled and posted to the GST ledger account.

The cash book summary method is perhaps a more straightforward method of calculating the balance.

## **Balancing the petty cash book**

At the end of each month, the petty cash book must be balanced. The procedure is much the same as calculating the balance in the cash book.

Once again, it helps if you visualise the petty cash tin and the \$200 we put in there:

- (1) total the payments which have been made during the month and record in the petty cash book. This figure is posted to the petty cash ledger as a credit;
- (2) deduct the total payments from the total amount of cash which has been put into petty cash. This amount is referred to as the balance. If the petty cash tin was in front of you, it would be possible to count the money left. Record this amount (the 'balance') under the total payments for the month;
- (3) in the petty cash book, the total payments must be added to the balance, which will then equal the total receipts for the month. This is shown on the same line of the petty cash book;
- (4) the balance for the month must then be brought down in the left hand receipts column in readiness for the transactions in the next month;
- (5) the GST column must be totalled and posted to the GST ledger account as a debit.

See the setting out in the specimen accounts for Potter and Associates.

## **Balancing the costs journal**

The end of month calculations for the costs journal are very straightforward.

Simply total the costs rendered for the month. Remember the costs journal is the record of all the bills you have sent out. It is irrelevant for the month end totals whether those costs have, in fact, been paid.

In the total in the costs journal, you do not include the total from the previous month.

When you have calculated the total for the month, this must be posted as a credit to the costs rendered ledger. This will balance the total of all those individual amounts which have been posted to the debit of the individual ledger accounts. The balance in the costs rendered ledger will keep a record of the total amount in costs you have billed during a certain period.

## **Bank reconciliation**

Bank statements are prepared by the bank. The statement records for each particular account on each day, the total banked and the cheques presented to the bank. The amounts that a solicitor deposits with the bank will be recorded on the credit side of the solicitor's account. This recognises the bank's liability. Only the total of the deposit on any one day will be shown on the bank statement. That is, if, for example, three cheques are banked, only the total amount of those three cheques will appear in the credit column of the statement.

When a cheque drawn on a solicitor's account is presented to the bank, reducing the liability of the bank, it will be recorded on the debit side of the solicitor's account.

The records maintained by a solicitor and the bank will have the same information however on different sides of the ledger. There may also be a time difference between entries in the solicitor's books and entries in the bank's books. There will be a difference in time between a cheque being drawn and presented to the bank. Similarly, there may be a difference with the receipt of a deposit if the next banking is not until the following day. These differences create the basis for bank reconciliation statements. A bank reconciliation is prepared by comparing the solicitor's records and the bank's records. It is a means of checking that the firm's accounting records agree with those records prepared by the bank.

Clause 36(5) of the LPR requires a solicitor at the end of each month to prepare a statement reconciling the balance of his or her trust bank account with the balance of the related cash book.

To prepare a bank reconciliation:

- (1) check that all receipts and payments have been entered into the cash book;
- (2) prepare the cash book summary;
- (3) request bank statement for end of month;
- (4) compare the bank statement with the cash book:
  - (i) tick entries which are common to the bank statement and cash book. Remember you will be comparing the credit side of the bank statement with the 'banked' column for the cash receipts book. You compare the debit side of the bank statement with the 'cheque amount' column for the cash payments book;
  - (ii) list entries that appear in the bank statement which are not recorded in the cash book;
  - (iii) list entries in cash book that do not appear in the bank statement. If these items are in the cash receipts book they are referred to as outstanding deposits. If these items are in the cash payments book, they are referred to as unpresented cheques;
- (5) complete the reconciliation statement. Set out below is a format that can be followed. It begins with the bank statement closing balance.

The Regulation does not state where you show the reconciliation. All accounting records should be kept together in a conveniently located place:

### Potter and Associates

Bank reconciliation statement for the  
period ended \_\_\_\_\_

Bank statement balance as at ____/____/____	\$	
		Cr
Add outstanding deposit(s)		
Add/less		
Item(s) in bank statement not in cash book		
Less unpresented cheque(s)		
(List separately showing date, cheque number and amount)		
Add/less		
Item(s) in cash book not in bank statement		
Reconciled cash book balance	\$	_____



The list of outstanding deposits must be made showing alongside each deposit the date in the cash book.

The list of unpresented cheques must include the cheque number together with the amount and the date drawn.

Generally, if the bank shows its balance as a credit on the statement, the solicitor's bank ledger account will show that balance as a debit. Clause 39(3)(d) of the LPR states that the reconciled cash book balance is required to be shown on the trial balance.

All practitioners should examine the bank reconciliation and the comparison at the end of the month to ensure that there are no anomalies.

Action should be taken by you if you find discrepancies between your records and those of the bank:

- any outstanding deposits should be banked on the next day;
- adjustments to be made by the bank for any incorrect charging of bank fees (items which are bank errors should not be recorded in the cash book and posted to a ledger account. They should be shown as an adjusting item in the bank reconciliation statement);
- any telegraphic transfer recorded in the bank statement and not in the cash book must be recorded on the next day in the cash book;
- any cheque that has not been presented for six months since the date of drawing should be followed up.

## **Trial balance**

Clause 39(1) of the LPR requires a trial balance be prepared monthly and within 21 days of the end of the month.

A trial balance will show whether the system is in balance. It will detect errors (but by no means all possible errors) in the firm's internal records. One of the most common errors is where an entry has been posted to the wrong side of the ledger, that is, posted as a debit instead of a credit. In other instances, the problem may be in a transposition error, such as posting \$25 as \$52.

If a variance is found between the trial balance and the reconciled cash book balance, it could mean that insufficient funds are in the bank to meet commitments to clients. If there is an excess in the bank balance, it would mean that some transaction has not been recorded in the ledger.

A trial balance is a list of all accounts in the ledger with a balance other than nil. As each entry in the ledger is posted twice, once as a

debit and once as a credit and the balance of each account is calculated from the debits and credits posted to that account, the total of all the debit balances should equal the total of all the credit balances.

To prepare a trial balance:

- (1) check all entries have been made in the cash book and posted to the appropriate ledger accounts;
- (2) prepare the cash book summary, including posting to the cash book control account (in the office account, you will need also to balance the petty cash book and the costs journal and post the balance to the appropriate ledger accounts);
- (3) check all journal entries have been posted to the ledger;
- (4) on a separate sheet of paper, with the headings as set out below, list the total of each individual ledger with a balance other than nil;
- (5) add each of the balances to find the total trial balance;
- (6) for the trust trial balance, compare the total of the trial balance with the cash book balance. They should be equal.

Clause 39(3) stipulates the following information must be included in the trial balance:

- (a) the month to which it refers and date of preparation;
- (b) the name of the person for whom the account is maintained, the reference number or other identification and the balance of the account at the end of that month;
- (c) the total of the ledger account balances at the end of that month;
- (d) comparison between that total and the balance in the cash book, reconciled with the balance in the trust bank account.

Here is a specimen trust trial balance.

**Potter and Associates**

Trust trial balance as at \_\_\_\_\_

Matter no	Account name	Matter description	Amount
A1	Appleby	Purchase 1 Fig Lane, Pyrmont	1,500.00
B1	Beasley	Discrimination	850.00
G2	Grozier	Shoplifting Charges	500.00
J1	Jones	Sale 3 Bell Close, Windsor	800.00
M4	Mitra	Property Settlement	550.00
Q1	Quirk	Third Party – G.I.O.	1,000.00
S5	Sun	Purchase business ‘Con’s Deli’	1,500.00
			6,700.00

Prepared by \_\_\_\_\_ Dated \_\_\_\_\_

Clause 39(3)(d) Comparison

Total client ledger accounts	6,700.00
Reconciled cash book balance	6,700.00
Variance (should be nil)	NIL

Prepared by \_\_\_\_\_ on \_\_\_\_\_

Although it is not required by the Regulation, each partner should sign the trial balance. It does not make them liable for any error in the accounts for that follows as a matter of law. It is to record that each partner has checked the trial balance.

Some firms include the balance of the cash book control account in the trust trial balance. It will be a debit balance and should be the same figure as the total of all the other ledger accounts.

When preparing the trial balance in the office account, there will be two columns instead of the heading 'amount'. One column will be for all the debit balances (the majority of accounts in the office ledger) and one column will be for all the credit balances (these will be the capital account(s) and the cost rendered account):

Matter no	Account name	Matter description	DR	CR

Note that in the office account, you do not prepare a comparison of the trial balance total with the cash book balance.

The balance of the cash book control account is included in the list of debit balances in the office trial balance.

An example of an office account trial balance is in the specimen accounts.



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## 8 Controlled Money

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When we looked at s 61 of the LPA 1987, we saw that it provided that money handled by a solicitor on behalf of a client in other than a transitory way will be either 'trust money' or 'controlled money'.

We have spent a lot of time looking at the account keeping requirements for a solicitor's trust account, as those requirements are very detailed. Trust money must be deposited into a general trust account in New South Wales at an approved financial institution. Interest is not payable on a solicitor's trust account.

Some clients prefer that their money be deposited into an account that will earn them interest. In these cases, where the client directs the solicitor to deal with money in a particular way whereby the solicitor will continue to control that money, that money will be 'controlled money'.

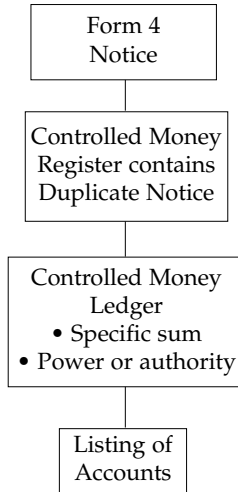
Clauses 42 to 47 of the LPR 1994 deal with controlled money. However, these clauses do not impose an accounting system upon the controlled money. Rather, the Regulation requires a solicitor to issue certain notices and to maintain certain registers and records. This enables the client to be kept informed and makes it possible for Inspectors from the Law Society to trace these deposits.

The Regulation provides for two types of controlled money:

- (1) when a specific sum of money is received, for example a deposit in a conveyancing matter;
- (2) when power or authority is given to a solicitor to operate on a client's account, such as a litigation lending style account.

The type of controlled money will dictate the information to be completed on the controlled money notice and the controlled money ledger.

The sequence of records to be prepared can be shown as follows:



## Controlled money notice – cl 42

Clause 42 of the LPR provides that a solicitor must, as soon as practicable after receiving controlled money, issue to the person a notice that is in the form or to the effect of Form 4. The form must be in duplicate and machine numbered.

A controlled money notice is the equivalent of a trust account receipt.

Where a solicitor pays out the controlled money, as authorised, the solicitor must issue to the client a Form 4 notice with Part 2 completed (cl 42(2)). If, at any time, a change is made to the controlled money arrangements, a new Form 4 must be issued to the client. Where interest is payable on the deposit, it is important to record that, on the Form 4 or otherwise, to comply with cl 42(4), a new form must be issued to the client, as a change has occurred.

**FORM 4**

Legal Profession Act 1987  
 Legal Profession Regulation 1994

Form No 1  
 (Clause 42)

**NOTICE TO PERSON ON WHOSE BEHALF  
 CONTROLLED MONEY IS RECEIVED**

**Part 1**

(This notice is issued when a solicitor acquires control of a person's money or deposits or invests money for a person and retains control of the money.)

- 1 Name and address of person on whose behalf controlled money is received.
- 2 [Where specific sum of money is received]
  - (a) amount of money received;
  - (b) when money received;
  - (c) from whom money received;
  - (d) how/where money is held by solicitor; or  
 [where solicitor has power or authority over money in person's accounts/deposits]
  - (e) names and numbers of accounts/deposits;
  - (f) names and addresses of financial institutions or persons where or with whom account or deposits are held;
  - (g) date, registration particulars (if any) and nature of instrument granting power or authority to solicitor.
- 3 Solicitor's instructions received from: \_\_\_\_\_ on:  
 to deal with money received or held in accounts/deposits noted in paragraph 2, as follows:

**Part 2**

Particulars as to the payment or investment of money referred to in Part 1 of this notice (or in Part 1 of Notice No \_\_\_\_\_ dated \_\_\_\_\_ )  
 Name and address of person on whose behalf controlled money is received:

- 1 Amount of money paid/invested;
- 2 Date of payment/deposit;
- 3 Name and address of person or institution holding the money paid or deposited;
- 4 Name and number of the account or deposit;
- 5 Terms on which money is deposited or invested:
  - (i) Term or maturity date of deposit;
  - (ii) The rate of interest;
  - (iii) Date from which interest is computed;



- (iv) The deposit or investment is unsecured; or the deposit or investment is secured and particulars of the security are;
- (v) Special terms (if any).

### **Controlled money register – cl 43**

Clause 43 requires a solicitor to maintain a register. The controlled money register comprises a compilation of duplicates of the notices in numerical sequence of the notices issued under cl 42. This register is the equivalent of the duplicate receipt book in the trust account.

### **Controlled money ledger – cl 44**

A controlled money ledger is required to be maintained for each client. It is analogous to the trust ledger. The controlled money ledger is in a similar format to a trust ledger. Clause 44(7) allows a solicitor to use a passbook or similar document from a financial institution as the ledger account provided that the passbook together with other written records show the required particulars of the transactions.

Clause 44 stipulates the detailed information which is required in the ledger:

- (a) name of person on whose behalf money is held and any reference/identification (cl 44(2));
- (b) when the controlled money is a specific sum the initial entry has to record:
  - the amount, date of receipt and source;
  - the amount, date of payment/deposit therefrom;
  - the identity of the third party and the terms on which paid;

OR

when the controlled money is a power or authority to operate, the initial entry to the ledger must record:

- the name and address of the person holding each account or deposit;
- the name in which each account or deposit is maintained and any relevant identifying number.

In either case, the ledger must detail all transactions affecting the receipt or disbursement by the solicitor including:

- the date of each transaction;
- a description of each transaction, (person from whom received/paid to and the reason);
- a reference to the source of each transaction.

If the following controlled money ledgers are completed correctly, they will meet the particulars required by cl 44 of the LPR.

**Potter and Associates**  
Controlled money ledger  
(Specific sum received)

ACCOUNT NAME: \_\_\_\_\_ Matter no: \_\_\_\_\_

ACCOUNT ADDRESS: \_\_\_\_\_

FINANCIAL INSTITUTION: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

Original investment amount \$ \_\_\_\_\_ Date: \_\_\_/\_\_\_/\_\_\_

Account name: \_\_\_\_\_

Account no: \_\_\_\_\_

Term/duration: \_\_\_\_\_

INTEREST: Rate \_\_\_\_\_

Payable from \_\_\_\_\_

Payable on \_\_\_\_\_

SECURITY HELD: \_\_\_\_\_

Date	Ref no	Paid to/rec'd from/ reason	Debit (withdrawal)	Credit (deposit)	Balance

**Potter and Associates**  
Controlled money ledger

(Power/authority received to operate existing account)

ACCOUNT NAME: \_\_\_\_\_ Matter no: \_\_\_\_\_

ACCOUNT ADDRESS: \_\_\_\_\_

POWER OF ATTORNEY/AUTHORITY PARTICULARS: \_\_\_\_\_

DATE OF POWER/AUTHORITY: \_\_\_\_\_

ACCOUNT/DEPOSIT PARTICULARS: \_\_\_\_\_

INSTITUTION: \_\_\_\_\_

ACCOUNT NO: \_\_\_\_\_

ACCOUNT NAME: \_\_\_\_\_

ACCOUNT TYPE: \_\_\_\_\_

TERM/DURATION: \_\_\_\_\_

INTEREST: Rate \_\_\_\_\_

Payable from \_\_\_\_\_

Payable on \_\_\_\_\_

SECURITY HELD: \_\_\_\_\_

Date	Notice ref	Particulars	Debit (withdrawal)	Credit (deposit)	Balance (if applicable)

**Listing of accounts – cl 45**

A solicitor must, within 21 days after the end of each month, prepare a statement in the nature of a trial balance (cl 45(1)).

Clause 45(1) specifies that the statement must:

- (a) state the period to which it refers and the date of preparation; and
- (b) list each ledger account by the name of the person on whose behalf the controlled money is received, the reference number or other

identification. Where the account relates to a specific amount over which the solicitor has control, the balance of the account at the end of the month must also be recorded.

If controlled money is deposited where periodical statements are issued, then those statements must be kept with the trial balance. The statements form part of the controlled money records. (cl 45(3))

### **Payment of controlled money by cheque – cl 46**

Clause 46 provides that controlled money must not be withdrawn or received from any account in which it is held otherwise than by cheque or electronic funds transfer.

### **Delegation – cl 40**

Clause 40 of the LPR applies in relation to an account in which controlled money is held or deposited by a solicitor in the same way as it applies in relation to a trust bank account maintained by the solicitor. This means that where a solicitor is unable to sign a controlled money withdrawal form due to illness/injury or absence for good reason, then the delegation procedure outlined in cl 40 must be followed.



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# 9 Legal Profession Act 1987

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## Unclaimed trust funds – s 68

A practitioner should review a client's trust records at the completion of each matter. This will assist in reducing the amount of unclaimed trust money which a practitioner must deal with. However, from time to time, a practitioner will discover money in the trust account which is considered to be unclaimed funds.

Section 68 of the LPA provides:

- (1) If a solicitor holding money in a trust account cannot find the person on whose behalf the money is held or a person authorised to receive it, the solicitor may:
  - (a) pay the money to the Treasurer for credit to the Consolidated Fund; and
  - (b) provide the Treasurer with such information as the Treasurer requires in relation to the money and the person on whose behalf the money is held by the solicitor.
- (2) If the solicitor pays the money to the Treasurer under sub-s (1) the solicitor is relieved from any further liability in relation to the money.
- (3) The Treasurer shall pay money deposited under this section to a person who satisfies the Treasurer as to his or her entitlement to the money.

Note that there is no obligation on the solicitor to pay the money to the Treasurer; this section only states that the solicitor 'may' pay the money to the Treasurer.

## Public purpose fund – s 64

Every solicitor's firm in New South Wales who operates a trust account must comply with s 64 of the LPA and deposit with the Law Society an amount calculated in accordance with cl 18 of the LPR.

Briefly, this amount is the lowest balance recorded in the trust account kept by the firm during the previous 12 months ending on 31 March.

Section 65 provides that the Law Society may invest this money and the interest is to be paid into the 'Public Purpose Fund' (s 69B).

Section 69F deals with payments from the Fund. Payments of certain costs and expenses which may be made from the Fund are listed in s 69G. It is in s 69I that the discretionary payments which may be made from the Fund are found. These include payments to the Legal Aid Fund, the Fidelity Fund, the Law Foundation Fund, the promotion and furtherance of Legal Education in New South Wales and the furtherance of law reform.

## **Legal Profession Regulation 1994**

### **Duty to report irregularities – cl 69**

Clause 69 imposes a duty on legal practitioners to notify the president of the Law Society in writing if the practitioner has reasonable grounds for suspecting that a solicitor has dealt with controlled money or trust money in a manner that may be dishonest or irregular.

The president must then cause the matter to be investigated by the Law Society.

### **Accountant's report**

As part of the application to renew a practising certificate with the Law Society, where the solicitor has received, held or disbursed trust or controlled money in the preceding year, the solicitor must ensure that an accountant's report is lodged.

At the time of making the report, the accountant must complete an extensive checklist to be retained with the accounting records of the solicitor. The checklist is to test the compliance of the accounts with the LPR.

Clauses 48 to 53 of the LPR contain requirements in relation to the content of the report and the procedural matters to be followed.

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## 10 Other Records

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Section 57B of the LPA 1987 provides for the Law Society Council to make rules with respect to the practice of a solicitor.

The LPR 1994 and the Revised Professional Conduct and Practice Rules 1995 set out information which must be contained in the accounting and other records maintained by legal practitioners. These rules apply whether or not s 61 money has been received.

### **File register – r 13**

As soon as practicable after receiving instructions, a practitioner is required to open a file for documentation and provide in the file the following information:

- full name and address of the person;
- date of receipt of instructions;
- a brief description of the services to be provided; and
- an identifier.

The name and address of the person are to be entered in a file register together with the identifier. The identifier should preferably be a number and it should be prefixed with the last two digits of the year in which the instructions are received. This will assist recovery of files.

A file register provides a history in relation to all matters conducted by a firm.

### **Safe custody register – r 14**

When a practitioner is handed possession of an important document such as a deed or will, or some other valuable property, to be held in safe custody, the practitioner must maintain a safe custody register. The register must contain the following:

- name and address of person;
- a short description of the item held;



- date on which item received by practitioner;
- the number of the safe custody packet in which the item is held.

Although it is not a requirement, it is important to record the date on which the document was handed up.

## **Register of financial interests – r 15**

At the principal place of practice a register must be maintained which must disclose the name and other identifying particulars of any company, partnership or other entity in which the practitioner has a financial interest and which engages in any dealing with trust money or controlled money received by the practitioner or the firm.

## **Inspection of registers – r 16**

It is by virtue of r 16 that a Trust Account Inspector or an investigator appointed in accordance with s 55 of the LPA can request a practitioner to produce for inspection any file register, safe custody register or financial register maintained by the practitioner.

The registers required by the Rules may be maintained in electronic form, provided that they can be produced in visible form on demand. Visible form here means production of information in permanent legible form in the English language.

## **Other registers**

Although not required by any rule, there are a number of other registers which it is useful to maintain. Costs for items such as photocopying, facsimiles and STD/IDD telephone calls must be collected for inclusion in the bill of costs issued to the client and a convenient way to do this is to keep a register.

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# 11 Goods and Services Tax ('GST')

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Legislation for the introduction of a Goods and Services Tax (GST) was passed into law on 8 July 1999. GST is governed principally by the A New Tax System (Goods and Services Tax) Act 1999. The GST will apply at the rate of 10% on the supply of most goods and services consumed in Australia after 1 July 2000.

An entity carrying on a business is required to register for GST if its annual turnover is more than \$50,000.00. The majority of legal work is a taxable supply. All practitioners need to ensure that they will be entitled to full recovery of GST. The full GST can be recovered if the costs agreement provides for this. Full recovery of GST requires the GST exclusive value of the supply to be identified and increased by 10%.

A costs agreement may provide that the rate or lump sum amount includes GST. If a rate or lump sum is GST exclusive, then each practitioner will need to make a specific provision for recovery of the GST in the costs agreement.

Disbursements will have to be categorised. Where disbursements are incurred by the solicitor in the course of making a supply of legal services to clients then those disbursements should be included in the value of the supply when GST is calculated.

Where amounts are paid to third parties with the solicitor acting as an agent, then, in this case, those amounts should be excluded from the figure on which GST for the legal services is calculated.

## **GST and the trust account**

To determine the impact of GST on a legal practitioner's trust account, it will be necessary to identify who the contracting party is and the reason the money is being held. If the client is the contracting party, then the payment from the trust account is made as an agent. Here, the practitioner does not have to account for the GST.

Where, however, the contracting party is the practitioner, then the payment is made for a service provided by the practitioner and the payment from the trust account may satisfy a debt to the solicitor. In these circumstances, it is the responsibility of the solicitor to pass on GST to the client, as the practitioner is not the recipient of the supply and is not the contracting party. It is suggested that a practitioner should pay all money for which the practitioner is liable from the office account and then recover the full amount from the trust account. The transfer from trust should only be carried out after the payment has been made by the practitioner. If this method is followed, then there is no need for the trust account to account for the GST.

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# 12 Practice Transactions

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The best way to learn how to maintain trust and office accounts is to practice making the required entries and postings.

Set out below are a number of transactions of a fictional firm 'Potter and Associates'. To begin with, it would be a good idea for you to trace the entries and postings through the specimen accounts. The transactions can be used later to revise your knowledge of trust, controlled money and office book-keeping.

In January 2001, Harriet Potter set up her own practice, having spent five years as an employed solicitor and then three years as a partner of a medium sized firm. She carried out the following transactions:

## Transaction

- 10.01.01 to commence the office account, Harriet obtained a bank cheque (National Australia Bank Sydney) for \$30,000 as the capital of the firm and opened an office account with the UTS Bank. She asked for urgent clearance of the cheque (capital paid in is a liability of the firm, since capital money is owed to that partner. It is posted as a credit to the partner's ledger account);
- 10.01.01 Harriet prepared and banked office money received to date;
- 14.01.01 Harriet paid Telstra \$950 for the installation of telephones (as telephone installation is an expense of the firm, this is posted as a debit to the ledger account). The GST component of \$95 will be recorded in the cash book and then posted to the GST ledger account at the end of the month;
- 14.01.01 as the first step to furnish the office, she bought from 'Mini Cost Officeworks Pty Ltd' some equipment, furniture and other office items:
- two iMac Computers for \$1,995 each;
  - one Laser Printer for \$395;
  - two desks for \$950 each;

- one filing cabinet for \$173;
- one bookcase for \$565;
- 10 packets of white paper totalling \$40.

(Apart from stationery, these are items of a capital nature. Being assets, they are posted to the debit of the ledger accounts. Because different rates of depreciation for taxation purposes may apply, different ledger accounts will be used for office machines and furniture. The paper will have a different ledger too (office stationery);)

- 14.01.01 Harriet cashed a cheque for \$200 for petty cash (this cheque will not be crossed 'not negotiable', as Harriet needs cash in return. This is 'cash in hand' and is an asset. It is posted as a debit in the petty cash ledger).
- (Note: in the specimen accounts, no specimen office cheques have been provided after this cheque;)
- 14.01.01 Harriet used some of the petty cash to purchase ground coffee, herbal tea and wholemeal cookies. The total was \$13.75;
- 14.01.01 the first money to be placed into Harriet Potter's trust account was received from Grollow Pty Ltd (registered office at 52 Park Street, Sydney). Daniel Grollow gave Harriet a company cheque for \$13,000 drawn on the account of Grollow Pty Ltd with Commonwealth Bank Haymarket for costs and disbursements for the matter Grollow Pty Ltd Subdivision at Moore Park;
- 14.01.01 received from Ms Twyla Harp (2/21 Macleay Street, Potts Point) her personal cheque (St George Bank, Kings Cross), \$2,500 for costs and disbursements in her matter the incorporation of Twyla Harp Consultants Pty Ltd, a casting company;
- 14.01.01 received from Nat Damon (3 Australia Street, Camperdown), \$825 in cash on account of costs. (The cash consisted of 8 x \$100 and 1 x \$20 + 1 x \$5.) Nat has been charged with offensive behaviour in a public place and has instructed Harriet to present a plea in mitigation at the end of the month;
- prepared and banked trust money received to date:
- 15.01.01 James and Jane Barnes are listing their five bedroom country-style residence at 5 Linlithgow Road, Point Piper.

Harriet is instructed to draw up a contract for the sale by auction. She is also to act for James and Jane on the purchase of the penthouse at Rockwall Gardens, Potts Point. The purchase price at Rockwall Gardens is \$1.7 million and the vendor is Rockwall Gardens Pty Ltd.

James and Jane give Harriet their personal cheque (St. George Bank, Bowral) for \$175,000 being:

- \$1,000 on account of costs and disbursements on the sale;
- \$174,000 on account of the balance of deposit and costs and disbursements on the purchase;

15.01.01 Ms Trina Arena (71 Sutherland Road, Paddington) has instructed Harriet to act for her in a Family Court Property matter. The travel which has been necessary for her career has been responsible for the breakdown of her marriage. Her husband is Marco Mendes. Harriet predicted that this will be a long, drawn out matter. Trina brings Harriet a bank cheque for \$8,000 (Citibank, Oxford Street, Paddington) on account of costs and disbursements;

15.01.01 Mr Tim Hanks gave Harriet \$9,500 cash to cover future disbursements in his personal injury matter. Tim lives at 15 Hollywood Drive, Birchgrove. Tim's instructions are to deposit the money at call with Westpac Bank at an interest rate as determined by Westpac. At lunchtime, Harriet deposited the money with Westpac (Haymarket branch, 359 George Street), account number DO11395 at 8.2% fixed interest rate at call. Interest is to be credited monthly to the account (controlled money);

15.01.01 Nannette Benning (2 Norma Crescent, Maroubra) came to see Harriet. Her mother, Angela Ash, died last week. Nannette has been appointed her executor and doesn't know what should happen next. Nannette brought with her the will, an assortment of bills and the \$5,460 cash she found in the tea caddy. Harriet wrote out a trust receipt. There were 50 x \$100, 8 x \$50 and 6 x \$10;

15.01.01 a depressed Beryl Streep (5 Mason Avenue, Beecroft) has made an appointment to see Harriet. Last year, she had an operation performed on her right eye by Doctors A Smith and B Jones. The eye is, according to Beryl, 'wonderful, but my hand is a mess'. Due to the pain and lack of movement

in the hand, Beryl has been unable to work since the operation. She needs Harriet's help. Beryl hands over \$1,000 (her personal cheque, Commonwealth Bank, Beecroft) on account of costs and disbursements in a possible medical negligence case;

15.01.01 received by way of a telegraphic transfer from the Melbourne branch of Westpac Bank \$31,500, being the 10% deposit in Gwen Paltrow's sale of 6 Pacific Parade, Palm Beach to Leonard Caprio. The deposit is being held in the Harriet Potter trust account. There is no agent in the matter (as this is a direct deposit, there is no need to include on deposit slip).

(Note: in the specimen accounts, no specimen trust receipts have been provided after this receipt;)

15.01.01 Harriet prepared and banked trust money received to date. (Note: in the specimen accounts, no specimen trust bank deposit slips have been provided after this bank deposit slip;)

19.01.01 Nannette Benning was waiting for Harriet when she arrived at the office. Angela Ash had sold her car in the week before she died. Nannette wanted to give Harriet the cheque from the buyer, Jack Brabham. The cheque is for \$12,500 (National Australia Bank, Coogee);

19.01.01 Harriet drew a trust cheque for \$35 in favour of ASIC for reservation of name for Twyla Harp's matter;

19.01.01 An account has been received from Quality Surveyors for survey fees in the Grollow Subdivision matter. Harriet draws a trust cheque for \$3,575;

19.01.01 Harriet applies for a S149(2) certificate from Woollahra Council and draws a trust cheque for \$40. She draws also a cheque for \$20 to Sydney Water for a drainage diagram. These inquiries are for the contract in the Barnes sale.

(Note: in the specimen accounts, no specimen trust cheques have been provided after this cheque;)

19.01.01 at lunchtime, Harriet joined the queue at the Post Office and bought 10 books of 45c stamps (\$4.50 per book). She used money out of petty cash;

19.01.01 in the afternoon, the adventurer Edward Hilary came into Harriet's office. Edward was anxious to have a will

prepared straight away, as he was leaving that night on his next mountain climbing adventure. Fortunately, Harriet was able to prepare the will immediately. Harriet handed Edward her bill for the preparation of the will together with the original executed will. In return, Edward gave her his personal cheque (Westpac Bank, Glebe) for \$165 (including GST) (this money can go straight into Harriet's office account, as she has completed the work and prepared and delivered her bill to the client).

(Note: in the specimen accounts, no specimen office receipts or office deposit slips have been provided after this receipt and deposit slip;)

- 19.01.01 Harriet made a special trip to Rumpole Law Stationer's and purchased various bundles of legal forms. The total cost of all the forms was \$75.95. She paid this out of petty cash;
- 19.01.01 Noni Collette (2 Diver Crescent, Porpoise Heads) consulted Harriet in relation to a possible discrimination case against her employer, Fantasy Productions Pty Ltd. Harriet took instructions from her and requested \$2,000 on account of costs and disbursements. Noni handed Harriet her personal cheque for \$2,000 drawn on the National Australia Bank, Kings Cross;
- 19.01.01 Harriet prepared a commercial lease for her client, Humungous Properties Pty Ltd (19 Bridge Street, Sydney). The tenant is to be Fidel Vista. Harriet prepared her bill of costs which totalled \$1,335. The costs component was \$423 (the only book-keeping entry to be made is for rendering the bill of costs);
- 19.01.01 Harriet prepared and banked trust money received to date;
- 20.01.01 Sumi Jo (15 Sublime Street, Leura) was outraged by the way the Summer Bay Opera Theatre management treated her during her recent tour. Sumi Jo wants Harriet to 'sue their socks off. How dare they treat me like that'. Harriet advised her that she will have to look into the terms of the contract and get further instructions. Sumi Jo hands Harriet a cheque for \$2,750 on account of costs and disbursements;
- 20.01.01 times have been tough for Harriet's old friend Russell Rowe (1 Juno Parade, Alexandria). Russell has not had any work and has been unable to make any purchases. Russell had an audition coming up and the temptation was too



great as he walked through the men's department of David Jones store. Russell was caught shoplifting. Harriet won't be charging anything for her time, but asked Russell for \$440 which she knows will be counsel's fee on brief. Russell drew a personal cheque for \$440;

- 20.01.01 Harriet received a contract from the vendor's solicitors for the sale of 85 Watkin Street, Newtown North. The vendor is Maggie Dench. Harriet's clients, Tom and Nicole Cridman (1 Yarra Avenue, Darling Point), are purchasing the property for \$425,000.00. Harriet telephoned the Cridmans to come to the office to go through the contract. They gave Harriet their personal cheque for \$43,500 to cover the deposit, costs and disbursements. Tom and Nicole instructed Harriet to deposit the cheque into her trust account until such time as it is required;
- 20.01.01 Harriet prepared and banked trust money received to date;
- 22.01.01 as there was not much time before the exchange of contracts in the Cridman purchase, Harriet paid, by office account cheques, \$125 to Speedy Enquiry Service for searches and \$200 to Bug-a-lugs Pest Service for a pest report;
- 22.01.01 Harriet was instructed by Solita Davidovich, 12 Bright Street, Rozelle. Solita is the executrix of the will of her late mother, Tamara Davidovich. Probate has been granted. Tamara Davidovich held several bank accounts with the Commonwealth Bank. Solita brought with her a bank cheque for the total of these, \$173,249.57. Solita instructs Harriet to invest this money with the National Australia Bank of Australia (357 George Street, Haymarket) for two months and then at call until such time as all the other assets have been realised and an interim distribution can be made to the beneficiaries. Harriet carries out the instructions. The account is number 349-341-790. The interest rate is 8.5%;
- 24.01.01 Kelvin Spacey (2 Lois Lane, Parramatta) had earlier consulted Harriet in relation to a personal injury claim against Alberto Almodovar. Kelvin has now decided definitely to proceed with the matter and hands over a cheque for \$10,000 to be put into trust. As time is about to expire, Harriet went to the District Court to file a statement of claim, paying the \$377.00 filing fee from the office account;

- 24.01.01 Harriet drew an office account cheque in favour of Domain Realty, as managing agent for the office building. The cheque was for \$1,750 as one month's rent;
- 24.01.01 received a bank cheque from Alphonse Schwarz for \$5,500 in settlement of a personal injury matter with client Drewe de Vito (15 Bower Street, Bankstown);
- 24.01.01 a debt collected from Ivan Owen was paid by cheque to the firm for client Jonathon Malkovich (25 Georges Road, Hurstville). The bank cheque was for \$15,750.00;
- 24.01.01 Harriet completed a trust receipt for Yimou Zhang (17 Thomas Street, Haymarket) who is purchasing a business 'Flights of Fantasy' from Stephanie Spielberg. Yimou Zhang gave Harriet a personal cheque for \$23,000, which will cover the deposit and the costs and disbursements of the matter;
- 25.01.01 Harriet prepared and banked trust money received to date;
- 25.01.01 Harriet paid \$365 from the trust account to Seek and Search Pty Ltd for searches in a number of matters:
- \$50 for title searches in the Barnes sale at Point Piper;
  - \$275 for searches in the Arena Family Court matter;
  - \$40 for searches in the Ash Estate;
- 25.01.01 Steve Boccho of counsel has requested that Harriet pay his fee for advice in the Collette discrimination matter. She draws a trust cheque for \$550.00 in his favour;
- 26.01.01 after receiving satisfactory searches and pest report (the Cridmans had specifically instructed not to get a building report), Harriet exchanged contracts on the Cridman purchase at Newtown. She drew a trust cheque for \$42,000 (for the balance 10% deposit) in favour of Starr Realty Pty Ltd;
- 26.01.01 Harriet received \$1,335.00 (cash) from Fidel Vista to pay for stamp duty and registration of the lease and her costs of acting for Humungous Properties Pty Ltd. Humungous Properties Pty Ltd is Harriet's client and has substantial property holdings. Fidel Vista is leasing one of those properties, at Unit 1/7 Cook Way, Botany;
- 26.01.01 Harriet prepared and banked trust money received to date;

- 27.01.01 Harriet paid by trust cheque \$690.00 to ASIC for the incorporation fee in Twyla Harp Incorporation matter;
- 28.01.01 Harriet went to the Office of State Revenue to stamp the lease in the Humungous Properties Pty Ltd and Vista matter. Stamp duty was assessed at \$855.00, which was paid with a trust cheque;
- 28.01.01 on the same day, Harriet went to the Land Titles Office to register the lease in Humungous Properties Pty Ltd and Vista. Harriet drew a trust cheque for \$57.00;
- 28.01.01 UTS Bank, Harriet's bank, advised that the cheque received from Russell Rowe on 20 January 2001 was not met on presentation and has been dishonoured. Harriet reverses the trust receipt;
- 28.01.01 Drewe De Vito came to Harriet's office. He was anxious to pick up a cheque in relation to the settlement of his personal injury matter against Alphonse Schwarz. Harriet gave him her bill of costs, showing \$725.00 owing in costs (plus \$72.50 GST). Drewe authorised Harriet to deduct her costs from the money held in trust. Harriet drew a trust cheque in De Vito's favour for the balance of \$4,775.00;
- 28.01.01 Nat Damon's offensive behaviour charge was listed at Waverley Local Court. Harriet presented the plea in mitigation on his behalf. The magistrate imposed a fine in spite of Harriet's wonderful advocacy. Harriet gave Nat her bill of costs – \$750.00 was noted as costs (plus \$75.00 GST). Nat authorised Harriet to transfer costs owing from trust to office;  
 Harriet drew one trust cheque for \$1,475.00 in favour of her office account, covering her costs in the De Vito matter and in the Damon matter;
- 28.01.01 the cupboard at home is getting very bare. Harriet draws an office account cheque for \$550 for her drawings;
- 28.01.01 Harriet prepared and banked office money received to date;
- 29.01.01 the Paltrow sale to Caprio matter was settled. The 10% deposit had been held by Harriet Potter as stakeholder. Gwen Paltrow is now entitled to that money. Gwen has decided to purchase a property at 2 Jonah Street, Whale Beach from the Renoufs. Gwen directs Harriet to transfer \$30,500 from her trust ledger to the new matter Paltrow

purchase 2 Jonah Street, Whale Beach to cover deposit, costs and disbursements. Gwen is currently staying at her sister's place at 7 Riverview Road, Clareville.

(This is a trust journal entry. No money comes into or leaves the trust account. It is an internal transfer;)

- 30.01.01 the Cridmans gave instructions to prepare a draft contract to sell their current home and to transfer \$1,000 from their purchase matter C2 to a new account relating to their sale. This is to cover part costs and disbursements in the sale matter;
- 31.01.01 Received a cheque for \$15,000 from AMP Insurance Ltd for proceeds of life insurance policy on the late Angela Ash;
- 31.01.01 Cheque number 555609 Office Account cancelled prior to issue;
- 01.02.01 Harriet prepared and banked trust money received 31 January 2001;
- 01.02.01 Harriet prepared a cash book summary for the trust account and the office account;
- 01.02.01 Mrs Nannette Benning requested a trust statement of account as at this date;
- 03.02.01 UTS Banking Corporation sent the bank statements for the trust account and the office account. Harriet prepared a bank reconciliation statement for the trust account and the office account;
- 03.02.01 Harriet prepared a trial balance for the trust account and for the office account;
- 03.02.01 Harriet prepared a controlled money listing of accounts.



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**SPECIMEN ACCOUNTS FOR  
POTTER AND ASSOCIATES**

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<b>Potter and Associates Client Register</b>			
<b>Client name</b>	<b>Address</b>	<b>Will held</b>	<b>Security documents packet</b>
Arena, Trina	71 Sutherland Road Paddington	Y	N
Barnes, James & Jane	5 Linlithgow Road Point Piper	Y Y	x6031 x6032
Benning, Nannette	2 Norma Crescent Maroubra	N	N
Collette, Noni	2 Diver Crescent Porpoise Heads	N	N
Cridman, Tom & Nicole	1 Yarra Avenue Darling Point	Y Y	x6033 x6034
Damon, Nat	3 Australia Street Camperdown	N	N
De Vito, Drewe	15 Bower Street, Bankstown	Y	x6035
Grollow Pty Ltd	52 Park Street Sydney	N	N
Harp, Twyla	2/21 Macleay Street Potts Point	Y	x6036
Hilary, Edward	C/- PO Box 27 Glebe	Y	x6037
Humungous Properties Pty Ltd	19 Bridge Street Sydney	N	N
Jo, Sumi	15 Sublime Street Leura	Y	x6038
Malkovich, Jonathon	25 Georges Road Hurstville	N	N
Paltrow, Gwen	6 Pacific Beach Palm Beach	N	N
Rowe, Russell	1 Juno Parade, Alexandria	N	N
Streep, Beryl	5 Mason Avenue, Beecroft	N	N
Spacey, Kelvin	2 Lois Lane, Parramatta	N	N
Zhang, Yimou	17 Thomas Street Haymarket	Y	x6039



Potter and Associates  
Matter Register

	Matter no	Client name	Matter description	File ref	Date opened	Trust ref	Office ref	Date closed
<b>A</b> Category	A1	Arena, T	Family court property	00/A1	15/01/01	A1	00/CL A1	
	A2	Benning, N executor Estate late Angela Ash	Estate late Angela Ash	00/A2	15/01/01	A2	00/CL A2	
<b>B</b> Category	B1	Barnes, J & J	Purchase Potts Point	00/B1	15/01/01	B1	00/CL B1	
	B2	Barnes, J & J	Sale Point Piper	00/B2	15/01/01	B2	00/CL B2	
<b>C</b> Category	C1	Collette, N	Discrimination	00/C1	19/01/01	C1	00/CL C1	
	C2	Cridman, T & N	Purchase Newtown	00/C2	20/01/01	C2	00/CL C2	
	C3	Cridman, T & N	Sale Darling Point	00/C3	30/01/01	C3	00/CL C3	

	Matter no	Client name	Matter description	File ref	Date opened	Trust ref	Office ref	Date closed
<b>D Category</b>	D1	Damon, N	Plea in mitigation	00/D1	15/01/01	D1	00/CL D1	
	D2	De Vito, D	Personal injury	00/D2	24/01/01	D2	00/CL D2	
<b>G Category</b>	G1	Grollow Pty Ltd	Subdivision at Moore Park	00/G1	14/01/01	G1	00/CL G1	
<b>H Category</b>	H1	Harp, T	Incorporation Twyla Harp Consultants	00/H1	14/01/01	H1	00/CL H1	
	H2	Hilary, E	Will	00/H2	19/01/01		00/CL H2	19/01/01
	H3	Humungous Properties Pty Ltd	Commercial lease	00/H3	26/01/01	H3	00/CL H3	
<b>J Category</b>	J1	Jo, S	Breach of contract	00/J1	20/01/01	J1	00/CL J1	

	Matter no	Client name	Matter description	File ref	Date opened	Trust ref	Office ref	Date closed
<b>M Category</b>	M1	Malkovich, J	Debt collection	00/M1	24/01/01	M1	00/CL M1	
	P1	Paltrow, G	Sale Pacific Parade, Palm Beach	00/P1	15/01/01	P1	00/CL P1	
P2								
<b>R Category</b>	R1	Rowe, R	Shoplifting charges	00/R1	20/01/01	R1	00/CL R1	
<b>S Category</b>	S1	Streep, B	Medical negligence	00/S1	15/01/01	S1	00/CL S1	
	S2	Spacey, K	Personal injury	00/S2	24/01/01	S2	00/CL S2	
<b>Z Category</b>	Z1	Zhang, Y	Purchase business 'Fights of Fantasy'	00/Z1	24/01/01	Z1	00/CL Z1	

Receipt:

71821

Date: 14/01/2001

## TRUST ACCOUNT RECEIPT

Received from Grolow Pty Ltdthe sum of Thirteen thousand dollars\$13,000.00 Cheque/~~Cash~~/~~Direct Deposit~~

For and on behalf of:

G1 : Grolow Pty Ltd : Subdivision at Moore Park

Matter no                      Account name                      Matter description

Reason:                      On account of costs and disbursementsReceived by: H. Potter

On behalf of: Potter and Associates

Receipt: 71822

Date: 14/01/2001

TRUST ACCOUNT RECEIPT

Received from Ms Twyla Harp  
the sum of Two thousand five hundred dollars  
\$2,500.00 Cheque / ~~Cash~~ / ~~Direct Deposit~~

For and on behalf of:

H1: Harp: Incorporation Twyla Harp Consultants

Matter no \_\_\_\_\_ Account name \_\_\_\_\_ Matter description \_\_\_\_\_

Reason: On account of costs and disbursements

Received by: H. Potter

On behalf of: Potter and Associates

Receipt: 71823

Date: 14/01/2001

## TRUST ACCOUNT RECEIPT

Received from Mr Nat Damon  
 the sum of Eight hundred and twenty five dollars  
\$825.00 ~~Cheque~~ / ~~Cash~~ / ~~Direct Deposit~~

For and on behalf of:

D1 : Damon : Plea in mitigation

Matter no Account name Matter description

Reason: On account of costs and disbursements

Received by: H. Potter

On behalf of: Potter and Associates

Receipt: 71824 Date: 15/01/2001

**TRUST ACCOUNT RECEIPT**

Received from Mr James and Mrs Jane Barnes  
 the sum of One hundred and seventy five thousand dollars  
\$175,000.00 Cheque/~~Cash~~/~~Direct Deposit~~  
 For and on behalf of: B1 Barnes Purchase Potts Point- \$174,000.00

B2: Barnes: Barnes Sale Point Piper- \$1,000.00

Matter no Account name Matter description

Reason: Barnes purchase Potts Point – on account of balance deposit, costs and disbursements  
Barnes sale – on account of costs and disbursements

Received by: H. Potter

On behalf of: Potter and Associates

Receipt:

71825

Date: 15/01/2001

## TRUST ACCOUNT RECEIPT

Received from Ms Trina Arena  
 the sum of Eight thousand dollars  
\$8,000.00 Cheque/~~Cash~~/~~Direct Deposit~~

For and on behalf of:

A1 : Arena : Arena : Family court matter – Marco Mendes

Matter no Account name Matter description

Reason: On account of costs and disbursements

Received by: H. Potter

On behalf of: Potter and Associates



Receipt: 71826 Date: 15/01/2001

TRUST ACCOUNT RECEIPT

Received from Ms Nannette Benning
the sum of Five thousand four hundred and sixty dollars
\$5,460.00 Cheque/Cash/Direct Deposit

For and on behalf of:
A2 : Ash : Estate late Angela Ash

Matter no Account name Matter description

Reason: Cash in hand found in home of deceased

Received by: H. Potter

On behalf of: Potter and Associates

Receipt:

71827

Date: 15/01/2001

## TRUST ACCOUNT RECEIPT

Received from Ms Beryl Streep  
 the sum of One thousand dollars  
 \$1,000.00 ~~Cheque~~ / ~~Cash~~ / ~~Direct Deposit~~

For and on behalf of:

\$1 Streep: Streep: Medical negligence action

Matter no

Account name

Matter description

Reason:

On account of costs and disbursements

Received by:

H. PotterOn behalf of: Potter and Associates

Receipt: 71828 Date: 15/01/2001

**TRUST ACCOUNT RECEIPT**

Received from Leonard Caprio by telegraphic transfer from Westpac Bank (Melbourne)  
the sum of Thirty one thousand five hundred dollars  
\$31,500.00 ~~Cheque~~/Cash/Direct Deposit

For and on behalf of: \_\_\_\_\_  
P1 \_\_\_\_\_: Paltrow : Paltrow sale to Caprio

Matter no \_\_\_\_\_ Account name \_\_\_\_\_ Matter description \_\_\_\_\_  
Reason: On account 10% deposit

Received by: H. Potter  
On behalf of: Potter and Associates

UTS BANK

Credit listing

Drawer	Bank	Branch or BSB no	Amount
1	Grolow Pty Ltd Cth	Haymarket	13,000.00
2	Twyla Harp St George	Kings Cross	2,500.00
3			
4			
5			
6			
7			
8			
9			
10			

Deposit date 15.01.2001 CSO Tellers - initials

Cash breakup

Cheques

Trading date	State Cr Tax	\$100	\$ 800	00
Account name		\$50	\$	00
Potter and Associates		\$20	\$ 20	00
		\$10	\$	00
		\$5	\$ 5	00
		Coin	\$	00
		Total	\$	00
		Change		
		Total		
		Cash	\$	825
				00

Total

\$15,500.00

Total

\$825.00

Total to Credit Summary

\$16,250.00

BSB number Account Number

[ 123-123 ] [ \_954-3819 ]

Cheques in this deposit are not available until cleared

UTS BANK			Credit listing	
Drawer	Bank	Branch or BSB no	Amount	
1 J & J Barnes	St George	Bowral	175,000.00	
2 Citibank	Citibank	Paddington	8,000.00	
3 B Streep	Cth	Beecroft	1,000.00	
4				
5				
6				
7				
8				
9				
10				

Deposit date 15.01.2001	CSO Tellers – initials	Cash breakup	<b>Total</b>
<b>Cheques</b>			<u>\$184,000.00</u>
Trading date	State Cr Tax	\$ 5000 00	Total
		\$ 400 00	
		\$ 20 00	
		\$ 10 00	<u>\$5,460.00</u>
		\$ 5 00	<b>Total to Credit Summary</b>
Account name	Potter and Associates	Coin	
		Total	<u>\$189,460.00</u>
		Change	
		Total	
		Cash	\$ 5,460 00

BSB number [ 123-123 ] Account Number [ 954-3819 ]  
 Cheques in this deposit are not available until cleared

Place finger here ( • to remove cheque Date: 19/01/01 Payee: A.S.I.C. _____ _____ _____ Detail: Reservation of name H1 – Twyla Harp Incorporation _____ _____ Chq \$35.00 _____ _____ _____ <b>179641</b>	<p style="text-align: center;"><b>UTS Bank</b> 179641</p> Pay A.S.I.C. _____ Date 19/01/01 The _____ or bearer sum of Thirty Five Dollars _____ \$35.00 <del>                     Potter &amp; Sons TRUST ACCOUNT                      ACCOUNT NUMBER 954-3849 / T <b>H. Potter</b>                      179641 • 082 • 000 • • •                 </del>
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Place finger here ( • to remove cheque Date: 19/01/01 Payee: Quality Surveyors _____ _____ _____ Detail: Survey fees G1 Grollow Pty Ltd – Subdivision Moore Park _____ Chq \$3,575.00 _____ _____ _____ <b>179642</b>	<p style="text-align: center;"><b>UTS Bank</b> 179642</p> Pay Quality Surveyors _____ Date 19/01/01 The _____ or bearer sum of Three Thousand Five Hundred and _____ <del>                     Potter &amp; Sons TRUST ACCOUNT                      ACCOUNT NUMBER 954-3849 / T <b>H. Potter</b>                      179642 • 082 • 000 • • •                 </del>
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Place finger here ( • )  
 to remove cheque  
 Date: 19/01/01  
 Payee: Woollahra Council

**UTS Bank** 179643

The Pay Woollahra Municipal Council  
 or bearer

sum of Forty Dollars \_\_\_\_\_ Date 19/01/01

~~Not Negotiable~~  
 Potter ~~of~~ JUST ACCOUNT \$40.00  
 ACCOUNT NUMBER 954-3819 / T H. Potter  
 179643 • 082 • 000 •••

Chq \$40.00

**179643**

Place finger here ( • )  
 to remove cheque  
 Date: 19/01/01  
 Payee: Sydney Water

**UTS Bank** 179644

The Pay Sydney Water  
 or bearer

sum of Twenty Dollars \_\_\_\_\_ Date 19/01/01

~~Not Negotiable~~  
 Potter ~~of~~ JUST ACCOUNT \$20.00  
 ACCOUNT NUMBER 954-3819 / T H. Potter  
 179644 • 082 • 000 •••

Chq \$20.00

**179644**

## Trust Account Cash Receipts Book

For period 14/01/01 to 15/01/01

Page: 1

Date	Rec no Form	Received from Reason	Account Name Matter no Matter description	Multi AMT	Rec AMT	Banked
2001 14/01	7182 - 1 Cheque	Grollow Pty Ltd Costs and disbursements	Grollow Pty Ltd G1 Subdivision at Moore Park		13,000.00	
14/01	2 Cheque	Twyla Harp Costs and disbursements	Twyla Harp Incorporation H1 Twyla Harp Consultants Incorporation		2,500.00	
14/01	3 Cash	Nat Damon Costs	Nat Damon D1 Plea in Mitigation		825.00	16,325.00
15/01	4 Cheque	J & J Barnes Balance deposit, Costs and disbursements	J & J Barnes B1 Purchase Potts Point	174,000.00		
		Costs and disbursements	J & J Barnes B2 Sale Point Piper	1,000.00	175,000.00	
15/01	5 Bank Cheque	Trina Arena Costs and disbursements	T Arena A1 Family Court Matter		8,000.00	
15/01	6 Cash	Nannette Benning Cash in Hand	A Ash A2 Estate late Angela Ash		5,460.00	
15/01	7 Cheque	Beryl Streep Costs and disbursements	B Streep S1 Medical negligence matter		1,000.00	189,460.00
15/01	8 T/T	Leonard Caprio Deposit	G Paltrow P1 Sale Palm Beach		31,500.00	31,500.00
			<b>Sub-total carried forward</b>			<b>237,285.00</b>



Trust Account Cash Receipts Book

For period 19 / 01 / 01 to 24 / 01 / 01

Page: 2

Date	Rec no Form	Received from Reason	Account name Matter no Matter description	Multi AMT	Rec AMT	Banked
			<b>Sub-total brought forward</b>			<b>237,285.00</b>
19/01	7182 - 9 Cheque	J Brabham Proceeds sale m/v	Ash A2 Estate late Angela Ash		12,500.00	
19/01	71830 Cheque	N Collette Costs and disbursements	Collette C1 Collette discrimination matter		2,000.00	14,500.00
20/01	1 Cheque	Sumi Jo Costs and disbursements	Jo J1 Jo and Summer Bay Opera Theatre		2,750.00	
20/01	2 Cheque	Russell Rowe Disbursements	Rowe R1 Shoplifting charges		440.00	
20/01	3 Cheque	Tom & Nicole Cridman Deposit, costs and disbs	Cridman C2 Cridman purchase Newtown		43,500.00	46,690.00
24/01	4 Cheque	Kelvin Spacey Costs and disbursements	Spacey S2 Spacey v Almodovar		10,000.00	
24/01	5 Bank Cheque	Alphonse Schwarz Settlement	De Vito D2 De Vito v Schwarz		5,572.50	
24/01	6 Bank Cheque	Ivan Owen Debt collection	Malkovich M1 Malkovich v Owen		15,750.00	
24/01	7 Cheque	Yimou Zhang Deposit, costs and disbs	Yimou Zhang Z1 Yimou Zhang for Spielberg		23,000.00	54,322.50
			<b>Sub-total carried forward</b>			<b>352,797.50</b>

## Trust Account Cash Receipts Book

For Period 26 /01 / 01 to 31 / 01 / 01

Page: 3

Date 2001	Rec no Form	Received from Reason	Account name Matter no Matter description	Multi AMT	Rec AMT	Banked
			<b>Sub-total brought forward</b>			<b>352,797.50</b>
26/01	8 Cheque	Fidel Vista Stamp Duty, Registration and Costs	H3 Humungous Properties Pty – Lease to Vista Unit 1/7 Cook Way, Botany		1,335.00	1,335.00
28/01	71832	Russell Rowe Cheque dishonoured	Rowe R1 Shoplifting charges		(440.00)	(440.00)
31/01	71839	AMP Ltd Proceeds life policy	Ash A2 Estate late Angela Ash		15,000.00	15,000.00 (1.02.01)
31/01			<b>Total receipts</b>			<b>368,692.50</b>

Trust Account Cash Payments Book

For Period 19/01/01 to 27/01/01

Page: 1

Date	Cheque No	Paid to Reason	Account Name Matter No Matter Description	Multi AMT	Cheque Amount
19/01	17964 - 1	ASIC Reservation of Name	Twyla Harp Consultants - H1 Twyla Harp Incorporation		35.00
19/01	2	Quality Surveyors Survey Fees	Grollow Pty Ltd G1 Grollow Subdivision Moore Park		3,575.00
19/01	3	Woollahra Council s149(2) Certificate	Barnes B2 Barnes Sale Point Piper		40.00
19/01	4	Sydney Water Drainage Diagram	Barnes B2 Barnes Sale Point Piper	20.00	
25/01	5	Seek & Search Pty Ltd Searches	Barnes B2 Barnes Sale Point Piper	50.00	
			T Arena Arena Family Court Matter	275.00	
			A Ash A2 Estate late Angela Ash	40.00	365.00
25/01	6	Steve Boccho Counsel Fees	Collette C1 Collette Discrimination		550.00
26/01	7	Starr Realty Pty Limited Balance Deposit	Cridman C2 Cridman Purchase Newtown		42,000.00
27/01	8	ASIC Incorporation Fee	Twyla Harp H1 Twyla Harp Consultants Incorp		690.00
			<b>Sub-Total Carried Forward</b>		<b>47,275.00</b>

## Trust Account Cash Payments Book

For Period 28/01/01 to 31/01/01

Page: 2

Date	Cheque No	Paid to Reason	Account Name Matter No Matter Description	Multi AMT	Cheque Amount
28/01	9	Office of State Revenue Stamp Duty on Lease	<b>Sub-Total Brought Forward</b>		<b>47,275.00</b>
28/01	17965-0	Land Titles Office Registration Lease	Humungous Properties Pty Ltd H3 Humungous Properties lease to Vista		855.00
28/01	1	Drewe De Vito Settlement Balance	Humungous Properties Pty Ltd H3 Humungous Properties Lease to Vista		57.00
28/01	2	Potter Office Account Costs	De Vito D2 De Vito v Schwarz	797.50	4,775.00
28/01	2	Potter Office Account Costs	Nat Damon D1 Plea in Mitigation	825.00	1,622.50
31/01		<b>Total Payments</b>			<b>54,584.50</b>
		<b>Cash Book Summary</b>			
		Opening Balance	0.00		
		Add Receipts – January	368,692.50		
		Less Payments – January	54,584.50		
		Closing Cash Book Balance	314,108.00		

TRUST ACCOUNT JOURNAL

DATE	JOURNAL REF	ACCOUNT NAME MATTER NO. MATTER DESCRIPTION (REASON)	DEBIT AMOUNT	CREDIT AMOUNT
29 Jan	J1	Paltrow P1 Sale to Caprio	30,000.00	
		Paltrow P2 Purchase from Renouf (Transfer as directed by client to cover deposit, costs and disbursements)		30,000.00
30 Jan	J2	Cridman C2 Purchase from Dench	1,000.00	
		Cridman C3 Sale Darling Point (Transfer as directed by client to cover costs and disbursements)		1,000.00

TRUST LEDGER

ACCOUNT NAME: Cash Book Control Account

ADDRESS: \_\_\_\_\_

MATTER NO: \_\_\_\_\_

\_\_\_\_\_ MATTER DESCRIPTION \_\_\_\_\_

\_\_\_\_\_ OTHER PARTY \_\_\_\_\_

\_\_\_\_\_ RESPONSIBLE PARTNER \_\_\_\_\_

SOLICITOR

HANDLING

Date	Ref No.	Rec'd From/Paid To Inl To/From Reason	Debit Amount	Credit Amount	Balance
2001					
31.01.01	CRB3	Total Receipts (January)	368,692.50		368,692.50
31.01.01	CPB2	Total Payments (January)		54,584.50	314,108.00

**TRUST LEDGER**

**ACCOUNT NAME:** (Ms) Trina Arena

**ADDRESS:** 71 Sutherland Road  
Paddington

**MATTER NO:** A1      **MATTER DESCRIPTION** Family Court – Property

**SOLICITOR** Marco Mendes

**HANDLING** H. Potter

**OTHER PARTY** RESPONSIBLE PARTNER

Date	Ref No.	Rec'd From/Paid To Jnl To/From Reason	Debit Amount	Credit Amount	Balance
15.01.01	R71825	Trina Arena – on a/c Costs Disbursements		8,000.00	8,000.00
25.01.01	P179645	Seek & Search Pty Ltd Searches	275.00		7,725.00

## TRUST LEDGER

**ACCOUNT NAME:** Estate late Angela Ash (Mrs) Nannette Benning (Executor)

**ADDRESS:** 2 Norma Crescent  
Maroubra

**MATTER NO:** A2      **MATTER DESCRIPTION**      Estate late Angela Ash  
**OTHER PARTY** \_\_\_\_\_

**SOLICITOR**      **RESPONSIBLE PARTNER**

**HANDLING**      H. Potter      H. Potter

Date	Ref No.	Rec'd From/Paid To To/From Reason	Debit Amount	Credit Amount	Balance
15.01.01	R71826	N Benning – Cash in Hand		5,460.00	5,460.00
19.01.01	R71829	J Brabham – proceeds sale car		12,500.00	17,960.00
25.01.01	P179645	Seek & Search Pty Ltd Searches	40.00		17,920.00
31.01.01	R71839	AMP Ltd Proceeds Life Policy		15,000.00	32,920.00



**TRUST LEDGER**

**ACCOUNT NAME:** (Mr) James and (Mrs) Jane Barnes

**ADDRESS:** 5 Linlithgow Road

Point Piper

**MATTER NO:** B1

**MATTER DESCRIPTION** Purchase Rockwall Gardens,  
Potts Point

Rockwall Gardens Pty Ltd

**SOLICITOR** RESPONSIBLE PARTNER

**HANDLING** H. Potter

Date	Ref No.	Rec'd From/Paid To Jnl To/From Reason	Debit Amount	Credit Amount	Balance
15.01.01	R71824	J & J Barnes on a/c balance deposit and costs and disbursements		174,000.00	174,000.00

## TRUST LEDGER

**ACCOUNT NAME:** (Mr) James and (Mrs) Jane Barnes

**ADDRESS:** 5 Linlithgow Road  
Point Piper

**MATTER NO:** B2      **MATTER DESCRIPTION** Sale 5 Linlithgow Road Point  
Point Piper

**SOLICITOR** H. Potter      **OTHER PARTY** \_\_\_\_\_

**HANDLING** H. Potter      **RESPONSIBLE PARTNER** H. Potter

Date	Ref No.	Rec'd From/Paid To Inl To/From Reason	Debit Amount	Credit Amount	Balance
15.01.01	R71824	J & J Barnes on a/c costs and disbursements		1,000.00	1,000.00
19.01.01	P179643	Woollahra Council – S149(2) Certificate	40.00		960.00
19.01.01	P179644	Sydney Water – Drainage Diagram	20.00		940.00
25.01.01	P179645	Seek & Search Pty Ltd Searches	50.00		890.00

**TRUST LEDGER**

**ACCOUNT NAME:** (Ms) Noni Collette

**ADDRESS:** 2 Diver Crescent  
Porpoise Heads

**MATTER NO:** C1      **MATTER DESCRIPTION**      Discrimination  
**OTHER PARTY**      Fantasy Productions Pty Ltd

**SOLICITOR**      **RESPONSIBLE PARTNER**

**HANDLING**      H. Potter      H. Potter

Date	Ref No.	Rec'd From/Paid To Jnl To/From Reason	Debit Amount	Credit Amount	Balance
19.01.01	R71830	Noni Collette on a/c costs and disbursements		2,000.00	2,000.00
25.01.01	P179646	Steve Boccho Counsel's fee	550.00		1,450.00

**TRUST LEDGER**

**ACCOUNT NAME:** (Mr) Tom and (Mrs) Nicole Cridman

**ADDRESS:** 1 Yarra Avenue  
Darling Point

**MATTER NO:** C2      **MATTER DESCRIPTION**      Purchase 85 Watkin Street,  
Newtown North

**SOLICITOR**      **OTHER PARTY**      Maggie Dench

**HANDLING**      H. Potter      **RESPONSIBLE PARTNER**      H. Potter

Date	Ref No.	Rec'd From/Paid To Inl To/From Reason	Debit Amount	Credit Amount	Balance
20.01.01	R71883	T & N Cridman, on account of deposit, costs and disbursements		43,500.00	43,500.00
26.01.01	P179647	Starr Realty Pty Ltd Balance deposit	42,000.00		1,500.00
30.01.01	J2	T & N Cridman C3 Sale Darling Point To cover part costs and disbursements		1,000.00	500.00

**TRUST LEDGER**

**ACCOUNT NAME:** (Mr) Tom and (Mrs) Nicole Cridman

**ADDRESS:** 1 Yarra Avenue  
Darling Point

**MATTER NO:** C3      **MATTER DESCRIPTION**      Sale 1 Yarra Avenue  
Darling Point

**SOLICITOR**      **OTHER PARTY**

**HANDLING**      H. Potter      **RESPONSIBLE PARTNER**      H. Potter

Date	Ref No.	Rec'd From/Paid To Jnl To/From Reason	Debit Amount	Credit Amount	Balance
30.01.01	J2	T & N Cridman, on account of deposit, C2 Purchase from Dench To cover part costs and disbursements		1,000.00	1,000.00

## TRUST LEDGER

ACCOUNT NAME: (Mr) Nat Damon

ADDRESS: 3 Australia Street  
Camperdown

MATTER NO: D1      MATTER DESCRIPTION      Plea in Mitigation

OTHER PARTY      Police

SOLICITOR      RESPONSIBLE PARTNER

HANDLING      H. Potter      H. Potter

Date	Ref No.	Rec'd From/Paid To Jnl To/From Reason	Debit Amount	Credit Amount	Balance
15.01.01	R71823	Nat Damon on a/c of cost		825.00	825.00
28.01.01	P179652	Potter Office Account Costs	825.00		Nil

**TRUST LEDGER**

**ACCOUNT NAME:** Drewe De Vito

**ADDRESS:** 15 Bower Street  
Bankstown

**MATTER NO:** D2      **MATTER DESCRIPTION** Personal Injury Claim

**SOLICITOR** H. Potter      **OTHER PARTY** Alphonse Schwarz

**HANDLING** H. Potter      **RESPONSIBLE PARTNER**

Date	Ref No.	Rec'd From/Paid To Jnl To/From Reason	Debit Amount	Credit Amount	Balance
14.01.01	R71835	Alphonse Schwarz Settlement money		5,572.50	5,572.50
28.01.01	P179651	Drewe De Vito Settlement money	4,775.00		
28.01.01	P179652	Potter Office Account Costs	797.50		Nil

**TRUST LEDGER**

**ACCOUNT NAME:** Grollow Pty Ltd

**ADDRESS:** 52 Park Street  
Sydney

**MATTER NO:** G1      **MATTER DESCRIPTION**      Subdivision at Moore Park

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\_\_\_\_\_

**SOLICITOR**      **OTHER PARTY**

**HANDLING**      **RESPONSIBLE PARTNER**

H. Potter      H. Potter

Date	Ref No.	Rec'd From/Paid To Inl To/From Reason	Debit Amount	Credit Amount	Balance
14.01.01	R71821	Grollow Pty Ltd on a/c costs and disbursements		13,000.00	13,000.00
19.01.01	P179642	Quality Surveyors – Survey Fees	3,575.00		9,425.00



**TRUST LEDGER**

**ACCOUNT NAME:** (Ms) Twyla Harp

**ADDRESS:** 2/21 Macleay Street  
Potts Point

**MATTER NO:** H1      **MATTER DESCRIPTION** Incorporation – Twyla Harp  
Consultants

**SOLICITOR** H. Potter      **OTHER PARTY** H. Potter

**HANDLING** H. Potter      **RESPONSIBLE PARTNER** H. Potter

Date	Ref No.	Rec'd From/Paid To Jnl To/From Reason	Debit Amount	Credit Amount	Balance
14.01.01	R71822	Twyla Harp on a/c costs and disbursements		2,500.00	2,500.00
19.01.01	P179641	ASIC – Reservation Name	35.00		2,465.00
27.01.01	P179648	ASIC – Incorporation Fee	690.00		1,775.00

**TRUST LEDGER**

**ACCOUNT NAME:** Humungous Properties Pty Limited

**ADDRESS:** 19 Bridge Street  
Sydney

**MATTER NO:** H3      **MATTER DESCRIPTION** Commercial Lease Unit 1/7 Cook  
Way, Botany

**OTHER PARTY** Fidel Vista

**SOLICITOR**      **RESPONSIBLE PARTNER**

**HANDLING** H. Potter      H. Potter

Date	Ref No.	Rec'd From/Paid To Inl To/From Reason	Debit Amount	Credit Amount	Balance
26.01.01	R71838	Fidel Vista Stamp duty, registration and costs		1,335.00	1,335.00
28.01.01	P179649	Office of State Revenue Stamp duty on Lease	855.00		480.00
28.01.01	P179650	Land Titles Office Registration fee (Lease)	57.00		423.00

**TRUST LEDGER**

**ACCOUNT NAME:** (Ms) Sumi Jo

**ADDRESS:** 15 Sublime Street

Leura

**MATTER NO:** J1

**MATTER DESCRIPTION:** Breach of Contract

**OTHER PARTY:** Summer Bay Opera Theatre

**SOLICITOR:** RESPONSIBLE PARTNER

**HANDLING:** H. Potter

Date	Ref No.	Rec'd From/Paid To Jnl To/From Reason	Debit Amount	Credit Amount	Balance
20.01.01	R71831	Sumi Jo on a/c costs and disbursements		2,750.00	2,750.00

**TRUST LEDGER**

**ACCOUNT NAME:** Jonathon Malkovich

**ADDRESS:** 25 Georges Road  
Hurstville

**MATTER NO:** M1      **MATTER DESCRIPTION** Debt Collection

**SOLICITOR**      **OTHER PARTY** Ivan Owen

**HANDLING**      **RESPONSIBLE PARTNER** H. Potter

Date	Ref No.	Rec'd From/Paid To Inl To/From Reason	Debit Amount	Credit Amount	Balance
24.01.01	R71836	Ivan Owen - payment of debt		15,750.00	15,750.00

**TRUST LEDGER**

**ACCOUNT NAME:** (Ms) Gwen Paltrow  
**ADDRESS:** 6 Pacific Parade  
Palm Beach

**MATTER NO:** P1      **MATTER DESCRIPTION**      Sale of 6 Pacific Parade,  
Palm Beach  
**OTHER PARTY**      Leonard Caprio

**SOLICITOR**      **RESPONSIBLE PARTNER**  
**HANDLING**      H. Potter

Date	Ref No.	Rec'd From/Paid To Jnl To/From Reason	Debit Amount	Credit Amount	Balance
15.01.01	R71828	Leonard Caprio on a/c 10% deposit		31,500.00	31,500.00
29.01.01	J1	Paltrow P2 Purchase from Renouf To cover deposit, costs and disbursements	30,000.00		1,500.00

**TRUST LEDGER**

**ACCOUNT NAME:** (Ms) Gwen Paltrow

**ADDRESS:** C/- 7 Riverview Road  
Clareville

**MATTER NO:** P2      **MATTER DESCRIPTION**      Purchase of 2 Jonah Street  
Whale Beach

**OTHER PARTY**      Renouf

**SOLICITOR**      **RESPONSIBLE PARTNER**

**HANDLING**      H. Potter      H. Potter

Date	Ref No.	Rec'd From/Paid To Inl To/From Reason	Debit Amount	Credit Amount	Balance
29.01.01	J1	Paltrow P1 Sale to Caprio To cover deposit, costs and disbursements		30,000.00	30,000.00

**TRUST LEDGER**

**ACCOUNT NAME:** Russell Rowe

**ADDRESS:** 1 Juno Parade  
Alexandria

**MATTER NO:** R1      **MATTER DESCRIPTION** Shoplifting Charge

**SOLICITOR**      **OTHER PARTY** Police

**HANDLING**      **RESPONSIBLE PARTNER** H. Potter

Date	Ref No.	Rec'd From/Paid To Jnl To/From Reason	Debit Amount	Credit Amount	Balance
20.01.01	R71832	Russell Rowe on account disbursements		440.00	440.00
28.01.01	R71832	Russell Rowe Receipt Cancelled – dishonoured cheque	440.00		Nil

**TRUST LEDGER**

**ACCOUNT NAME:** (Ms) Beryl Streep

**ADDRESS:** 5 Mason Avenue  
Beecroft

**MATTER NO:** S1      **MATTER DESCRIPTION** Medical Negligence

**OTHER PARTY** Dr A. Smith and  
Dr B. Jones

**SOLICITOR**      **RESPONSIBLE PARTNER**

**HANDLING** H. Potter      H. Potter

Date	Ref No.	Rec'd From/Paid To Inl To/From Reason	Debit Amount	Credit Amount	Balance
15.01.01	R71827	Beryl Streep on a/c costs and disbursements		1,000.00	1,000.00



TRUST LEDGER

ACCOUNT NAME: Kelvin Spacey

ADDRESS: 2 Lois Lane  
Parramatta

MATTER NO: S2      MATTER DESCRIPTION Personal Injury

OTHER PARTY Alberto Almodovar

SOLICITOR HANDLING H. Potter      RESPONSIBLE PARTNER H. Potter

Date	Ref No.	Rec'd From/Paid To Jnl To/From Reason	Debit Amount	Credit Amount	Balance
24.01.01	R71834	Kelvin Spacey on account costs and disbursements		10,000.00	10,000.00

**TRUST LEDGER**

**ACCOUNT NAME:** Yimou Zhang  
**ADDRESS:** 17 Thomas Street  
Haymarket

**MATTER NO:** Z1      **MATTER DESCRIPTION** Purchase business  
'Flights of Fantasy'  
Stephanie Spielberg

**SOLICITOR HANDLING** H. Potter      **OTHER PARTY RESPONSIBLE PARTNER** H. Potter

Date	Ref No.	Rec'd From/Paid To Jnl To/From Reason	Debit Amount	Credit Amount	Balance
24.01.01	R71837	Yimou Zhang on account deposit, costs and disbursements		23,000.00	23,000.00



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# **OFFICE ACCOUNT**

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**97071**

**Potter and Associates  
Solicitors**

10.01.2001

Harriet Potter by bank cheque  
*Received from* Thirty Thousand Dollars  
*the sum of*

*being* Capital contribution  
Harriet Potter Capital Account PL1

\$30,000.00: *per H. Potter*  
**OFFICE ACCOUNT**

STANDARD.6298

**97072**

**Potter and Associates  
Solicitors**

19.01.2001

Edward Hilary by cheque  
*Received from* One Hundred and Sixty Five Dollars  
*the sum of*

*being* Costs for Will  
Hilary: Re Will CL1

\$165.00: *per H. Potter*  
**OFFICE ACCOUNT**

STANDARD.6298

UTS BANK

Drawer	Bank	Branch or BSB no	Credit listing
1	National Australia Bank	NAB Sydney	30,000.00
2			
3			
4			
5			
6			
7			
8			
9			
10			

Deposit date 10.01.2001 CSO Tellers – initials

**Cheques**

	Cash breakup	Total
Trading date	\$100	\$ _____ 00
	\$50	\$ _____ 00
	\$20	\$ _____ 00
	\$10	\$ _____ 00
	\$5	\$ _____ 00
Account name	Coin	\$ _____ 00
Potter and Associates	Total	\$ _____ 00
Office Account	Change	\$ _____ 00
	Total	\$ _____ 00
	Cash	\$ _____ 00
<b>Total to Credit Summary</b>		<b>\$30,000.00</b>

BSB number \_\_\_\_\_ Account Number \_\_\_\_\_

[ 123-123 ] [ \_954-3810 ]

Cheques in this deposit are not available until cleared

UTS BANK			Credit listing
Drawer	Bank	Branch or BSB no	Amount
1 E Hilary	Westpac	Glebe	165.00
2			
3			
4			
5			
6			
7			
8			
9			
10			

Deposit date 19.01.2001 CSO Tellers – initials

<b>Cheques</b>			<b>Total</b>
	\$100	00	<u>\$165.00</u>
	\$50	00	Total
Trading date	\$20	00	
State Cr Tax	\$10	00	<u>\$165.00</u>
	\$5	00	<b>Total to Credit Summary</b>
Account name	Coin	00	
Potter and Associates	Total	00	<u>\$165.00</u>
Office Account	Change	00	
	Total	00	
	Cash	00	

**BSB number** [ 123-123 ] **Account Number** [ 954-3810 ]  
 Cheques in this deposit are not available until cleared





<p>Place finger here ( • to remove cheque Date: 14.01.01 Payee: Telstra</p> <hr/> <p>Detail: Telephone Installation PL2</p> <hr/> <p>Chq \$1,045.00</p> <hr/> <p>555601</p>	<p><b>UTS Bank</b> 555601</p> <p>Pay Telstra or bearer Date 14.01.01</p> <p>The sum of One Thousand and Forty-Five Dollars \$1,045.00</p> <p><del>Not Negotiable</del> Potter Pty Ltd OFFICE ACCOUNT ACCOUNT NUMBER 123-456 /O H. Potter</p> <p><del>555601 • 042 • 000 •••</del></p>
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Place finger here ( • to remove cheque Date: <u>14.01.01</u> Payee: <u>Mini Cost Officeworks</u> <u>Pty Limited</u>  Detail: 2 iMac Computers \$4389-PL3: 1 Laser Printer \$434.50-PL3; 2 Desks \$2090- PL4; 1 Filing Cabinet \$190.30 1 Bookcase \$621.50-PL4; Paper \$44-PL5 Chq <u>\$7,769.30</u>  <u>555602</u>	<p style="text-align: center;"><b>UTS Bank</b> 555602</p> Pay <u>Mini Cost Officeworks Pty Limited</u> Date <u>14.01.01</u> The _____ or bearer sum of <u>Seven Thousand and Seven Hundred and Sixty Nine Dollars &amp; 30c</u> _____ \$7,769.30 Potter <del>Not Negotiable</del> <u>Not Negotiable</u> ACCOUNT NUMBER <u>123-456</u> / O <u>H. Potter</u> 555602 • 042 • 000 • • •
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Place finger here ( • to remove cheque Date: <u>14.01.01</u> Payee: <u>Cash</u>  Detail: Petty Cash PL6 Chq <u>\$200.00</u>  <u>555603</u>	<p style="text-align: center;"><b>UTS Bank</b> 555603</p> Pay <u>Cash</u> Date <u>14.01.01</u> The _____ or bearer sum of <u>Two Hundred Dollars</u> _____ \$200.00 Potter and Associates OFFICE ACCOUNT ACCOUNT NUMBER <u>123-456</u> / O <u>H. Potter</u> 555603 • 042 • 000 • • •
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OFFICE ACCOUNT CASH RECEIPTS BOOK Page 1

For Period 10/ 01/01 to 31/01/01

DATE OF RECEIPT NUMBER 2001	RECEIPT NUMBER	CLIENT NAME AND MATTER DESCRIPTION	RECEIVED FROM	PURPOSE OF RECEIPT	LEDGER ACCOUNT NUMBER	CHO/ CASH	GST	AMOUNT FOR LEDGER Taxable	AMOUNT Non-Taxable	TOTAL ON RECEIPT	BANKING TOTAL AND DATE ON DEPOSIT SLIP
10.01.01	9707 1	(H. Potter) Capital Account	(H. Potter)	Capital Contribution	PL1	Bank Cheque			30,000.00	30,000.00	30,000.00 10.01.01
19.01.01	2	HILARY: Re Will	E Hilary	For Costs	CLH2	Cheque	15.00	150.00		165.00	165.00 19.01.00
28.01.01	3	Drewe De Vito De Vito v Schwarz	Potter Trust A/C	For Costs	CLD2	Cheque	72.50	725.00			
	3	Nat Damon Plea in Mitigation	Potter Trust A/C	For Costs	CLD1	Cheque	75.00	750.00		1,622.50	1,622.50 28.01.01
31.01.01		<b>Total Receipts</b>			<b>PL 11</b>		<b>162.50</b>	<b>1,625.00</b>		<b>31,787.50</b>	<b>31,787.50</b>

## OFFICE ACCOUNT CASH PAYMENTS BOOK Page 1

For Period 14/ 01/01 to 22/01/01

DATE OF PAYMENT 2001	CHEQUE NUMBER	CLIENT NAME and MATTER DESCRIPTION	PAID TO	PURPOSE OF PAYMENT	LEDGER ACCOUNT NUMBER	GST	AMOUNT FOR LEDGER Taxable	AMOUNT FOR Non-Taxable	TOTAL AMOUNT ON FACE OF CHEQUE
14.01.01	55560-1	Telephone Account	Telstra	Phone Installation	PL2	95.00	950.00		1,045.00
14.01.01	2	Office Machines Account	MiniCost Officeworks	2 Computers 1 Laser Printer 2 Desks 1 Filing Cabinet 1 Bookcase 10 pkts Paper	PL3 PL3 PL4 PL4 PL4 PL4 PL5	399.00 39.50 190.00 17.30 56.50 4.00	3990.00 395.00 1900.00 173.00 565.00 40.00		7,769.30
14.01.01	3	Petty Cash	Cash	Petty Cash	PL6			200.00	200.00
22.01.01	4	Cridman Purchase at Newtown	Speedy Enquiry Service	Searches	CLC2			125.00	125.00
22.01.01	5	Cridman Purchase at Newtown	Bug-a-lugs Pest Service	Pest Report	CLC2			200.00	200.00
		<b>Sub-Total Carried Forward</b>							<b>9,339.30</b>

OFFICE ACCOUNT CASH PAYMENTS BOOK Page 2

For Period 23/ 01/01 to 31/01/01

DATE OF PAYMENT 2001	CHEQUE NUMBER	CLIENT NAME and MATTER DESCRIPTION	PAID TO	PURPOSE OF PAYMENT	LEDGER ACCOUNT NUMBER	GST	AMOUNT FOR LEDGER Taxable	AMOUNT FOR Non-Taxable	TOTAL AMOUNT ON FACE OF CHEQUE
		<b>Sub-Total Brought Forward</b>							<b>\$9,339.30</b>
24.01.01	55560-6	Spacey v Almodovar Personal Injury	District Court	Filing Fee	CLS2			377.00	377.00
24.01.01	7	Office Rent	Domain Realty	Rent	PL9	175.00	1,750.00		1925.00
28.01.01	8	Harriet Potter Drawings	Harriet Potter	Drawings	PL10			550.00	550.00
31.01.01	9	Cancelled – incorrect entry							
31.01.01		<b>Total Payments</b>				<b>976.30</b>	<b>9,763.00</b>	<b>1,452.00</b>	<b>12,191.30</b>
		<b>Cash Book Summary</b>							
		Opening Balance		0.00					
		Add Total Receipts		31,787.50					
		Less Total Payments		12,191.30					
		Closing Balance		19,596.20					

## OFFICE ACCOUNT

## PETTY CASH BOOK

FOLIO 1

Receipts	Date 2001	Particulars	Ledger A/C No	GST	Amount for Ledger		Payments
					Taxable	Non- Taxable	
200 00	Jan 14	OFFICE – Cash					
	14	OFFICE REFRESHMENTS Coffee, Tea & Cookies	PL6			13.75	13.75
	19	POSTAGE – Stamps	PL8			45.00	45.00
	19	STATIONERY – Forms	PL5	7.60	75.95		83.55
	31	<b>Total Payments (January)</b>	PL6	7.60	75.95	58.75	<b>142.30</b>
		<b>Balance Carried Down</b>					<b>57.70</b>
200 00							200.00
57 70	Feb 01	<b>Balance Brought Down</b>					

**COSTS JOURNAL – Folio 1**

Date 2001		Client	Particulars	Ledger A/C No	Amount	
Jan	19	E Hilary	Re Will	CLH1	150	00
Jan	19	Humungous Properties Pty Limited	Lease to Fidel Vista	CLH3	423	00
Jan	28	D De Vito	Personal Injury	CLD2	725	00
Jan	28	N Damon	Plea in Mitigation	CLD1	750	00
Jan	31	<b>Total Costs (January)</b>		PL 11	2,048	00

**OFFICE ACC. LEDGER (Private)**

ACCOUNT NAME: (Harriet Potter) – Capital Account  
 ACCOUNT NUMBER: PL1

DATE	Received fr or paid to	Purpose	Ref No.	DR	CR	DR/CR	BAL
Jan 10 2001	Harriet Potter	Initial Capital Contribution	R97071		30,000 00	CR	30,000 00



**OFFICE ACC. LEDGER (Private)**

ACCOUNT NAME: Telephone  
 ACCOUNT NUMBER: PL2

DATE	Received fr or paid to	Purpose	Ref No.	DR	CR	DR/CR	BAL
Jan 14	to Telstra	For installation of telephones	P555601	950 00		DR	950 00

**OFFICE ACC. LEDGER (Private)**

ACCOUNT NAME: Office Machines  
 ACCOUNT NUMBER: PL3

DATE	Received fr or paid to	Purpose	Ref No.	DR		CR	DR/CR	BAL	
Jan 14	to Mini Cost Officeworks P/L	4 iMac Computers	P555602	3,990	00		DR	3,990	00
		1 laser printer	P555602	395	00		DR	4,385	00

OFFICE ACC. LEDGER (Private)

ACCOUNT NAME: Office Furniture  
 ACCOUNT NUMBER: PL4

DATE	Received fr or paid to	Purpose	Ref No.	DR	CR	DR/CR	BAL
2001 Jan 14	to Mini Cost Office works P/L						
		Desks	P555602	1,900 00		DR	1,900 00
		Filing Cabinet	P555602	173 00		DR	2,073 00
		Bookcase	P555602	565 00		DR	2,638 00

**OFFICE ACC. LEDGER (Private)**

ACCOUNT NAME: Stationery  
 ACCOUNT NUMBER: PL5

DATE	Received fr or paid to	Purpose	Ref No.	DR		CR	DR/CR	BAL	
Jan 14	to Mini Cost Officeworks P/L	White Paper	P555602	40	00		DR	40	00
Jan 19	to Rumpole Law Stationer	Legal Forms	PC1	75	95		DR	115	95

**OFFICE ACC. LEDGER (Private)**

ACCOUNT NAME: Petty Cash  
 ACCOUNT NUMBER: PL6

DATE	Received fr or paid to	Purpose	Ref No.	DR		CR	DR/CR	BAL	
2001									
Jan 14	Cheque cashed	Petty Cash	P555603	200	00		DR	200	00
Jan 31	Total Payments (January)		PC 1			142 30	DR	57	70

**OFFICE ACC. LEDGER (Private)**

ACCOUNT NAME: Office Refreshments  
 ACCOUNT NUMBER: PL7

DATE	Received fr or paid to	Purpose	Ref No.	DR		CR	DR/CR	BAL	
Jan 14	Petty cash	Coffee, Tea & Cookies	PC1	13	75		DR	13	75

**OFFICE ACC. LEDGER (Private)**

ACCOUNT NAME: Postage  
 ACCOUNT NUMBER: PL8

DATE	Received fr or paid to	Purpose	Ref No.	DR		CR	DR/CR	BAL	
				45	00			45	00
Jan 19	Petty cash	Stamps	PC1	45	00		DR	45	00

**OFFICE ACC. LEDGER (Private)**

ACCOUNT NAME: Office Rent  
 ACCOUNT NUMBER: PL9

DATE	Received fr or paid to	Purpose	Ref No.	DR		CR	DR/CR	BAL	
Jan 24	To Domain Realty	Office Rent	P555 607	1,750	00		DR	1,750	00



OFFICE ACC. LEDGER (Private)

ACCOUNT NAME: Harriet Potter Drawings  
ACCOUNT NUMBER: PL10

DATE	Received fr or paid to	Purpose	Ref No.	DR	CR	DR/CR	BAL
2001							
Jan 20	H Potter	Drawings	P555608	550 00		DR	550 00

OFFICE ACC. LEDGER (Private)

ACCOUNT NAME: Costs Rendered  
 ACCOUNT NUMBER: PL11

DATE 2001	Received fr or paid to	Purpose	Ref No.	DR		CR		DR/CR		BAL	
Jan 31	<b>Total Costs (January)</b>		CJ1			2,048	00		CR	2,048	00

**OFFICE ACC. LEDGER (Private)**

ACCOUNT NAME: Cash Book Control Account  
 ACCOUNT NUMBER: PL12

DATE	Received fr or paid to	Purpose	Ref No.	DR	CR	DR/CR	BAL
Jan 31	<b>Total Receipts</b>		CRB 1	31,787		DR	31,787
Jan 31	<b>Total Payments</b>		CPB 2		12,191	DR	19,596
							50
							20

**OFFICE ACC. LEDGER (Private)**

ACCOUNT NAME: GST  
 ACCOUNT NUMBER: PL13

DATE	Received fr or paid to	Ref No.	DR		CR		DR/CR	BAL	
Jan 31	<b>Total GST received in January</b>	CRB 1			162	50	CR	162	50
Jan 31	<b>Total GST paid in January from CB</b>	CPB 2	976	30			DR	813	80
Jan 31	<b>Total GST payment from PC</b>	PC 1	7	60			DR	821	40

**OFFICE ACC. LEDGER (Client)**

ACCOUNT NAME: Tom & Nicole Cridman Purchase Newtown  
 ACCOUNT NUMBER: CLC2

DATE	Received fr or paid to	Purpose	Ref No.	DR	CR	DR/CR	BAL
2001							
Jan 22	To Speedy Enquiry Service	Searches	P55564	125 00		DR	125 00
Jan 22	To Bug-a-lugs	Pest Report	P55565	200 00		DR	325 00

**OFFICE ACC. LEDGER (Client)**

ACCOUNT NAME: Nat Damon: Plea in Mitigation  
 ACCOUNT NUMBER: CLD1

DATE	Received fr or paid to	Purpose	Ref No.	DR	CR	DR/CR	BAL
2001							
Jan 28	To Costs Rendered		CJ1	750 00		DR	750 00
Jan 28	Potter Trust Account	Costs	R97073		750 00	-	Nil

**OFFICE ACC. LEDGER (Client)**

ACCOUNT NAME: Drewe De Vito: Personal Injury v A Schwarz  
 ACCOUNT NUMBER: CLD2

DATE	Received fr or paid to	Purpose	Ref No.	DR		CR		DR/CR		BAL	
Jan 28	To Costs Rendered		CJ1	725	00				DR	725	00
Jan 28	Potter Trust Account	Costs	R97073			725	00		-		Nil

**OFFICE ACC. LEDGER (Client)**

ACCOUNT NAME: E Hilary: Re Will  
 ACCOUNT NUMBER: CLHZ

DATE	Received fr or paid to	Purpose	Ref No.	DR		CR		DR/CR	BAL	
Jan 19	To Costs Rendered		CJ1	150	00			DR	150	00
Jan 19	From Hilary	Costs	P97072			150	00	-	Nil	



**OFFICE ACC. LEDGER (Client)**

ACCOUNT NAME: Humungous Properties Pty Limited Lease to Fidel Vista  
 ACCOUNT NUMBER: CLH3

DATE	Received fr or paid to	Purpose	Ref No.	DR		CR	DR/CR	BAL	
				423	00			423	00
Jan 19	To Costs Rendered		CJ1	423	00		DR	423	00

**OFFICE ACC. LEDGER (Client)**

ACCOUNT NAME: Kelvin Spacey (Personal Injury v Almodovar)  
 ACCOUNT NUMBER: CLS2

DATE	Received fr or paid to	Purpose	Ref No.	DR	CR	DR/CR	BAL
Jan 24	To District Court Registry	Filing Fee	P555606	377		DR	377 00

Potter and Associates  
7 Quay Street, Haymarket 2007

Mrs N Benning  
Executor  
2 Norma Crescent  
MAROUBRA

**Trust Statement of Account as at 1.02.01**

Date	Ref No.	Rec'd From/Paid To Jnl To/From Reason	Debit Amount	Credit Amount	Balance
2001					
Jan 15	R71826	N Benning – Cash in Hand		5,460.00	5,460.00
Jan 19	R71829	J Brabham – proceeds sale car		12,500.00	17,960.00
Jan 25	P179645	Seek & Search Pty Ltd – Searches	40.00		17,920.00
Jan 31	R71839	AMP Ltd – Proceeds Life Policy		15,000.00	32,920.00

## UTS BANKING CORPORATION

222 George Street  
Broadway

## BANK STATEMENT

Account Name: Potter and Associates Trust Account  
Account No: 954-3819  
Account Address: 7 Quay Street, Haymarket  
Statement for period ended 31.1.01

Date	Particulars	Debit	Credit	Balance
14.01.01	Balance			0.00
14.01.01	Deposit		16,325.00	16,325.00 Cr
15.01.01	Deposit		189,460.00	205,785.00 Cr
15.01.01	Direct Deposit		31,500.00	237,285.00 Cr
19.01.01	Deposit		14,500.00	251,785.00 Cr
20.01.01	Deposit		46,690.00	298,475.00 Cr
24.01.01	Deposit		54,322.50	352,797.50 Cr
24.01.01	179642	3,575.00		349,222.50 Cr
24.01.01	179641	35.00		349,187.50 Cr
25.01.01	179644	20.00		349,167.50 Cr
26.01.01	Deposit		1,335.00	350,502.50 Cr
26.01.01	179646	550.00		349,952.50 Cr
28.01.01	Dishonoured Cheque	440.00		349,512.50 Cr
29.01.01	179648	690.00		348,822.50 Cr
29.01.01	179649	855.00		347,967.50 Cr
30.01.01	179647	42,000.00		305,967.50 Cr
30.01.01	179650	57.00		305,910.50 Cr
31.01.01	179652	1,622.50		304,288.00 Cr
31.01.01	Interest		25.00	304,313.00 Cr

**Potter and Associates  
Trust Account  
Bank Reconciliation Statement  
for month ended 31.01.01**

Balance as per bank statement – 31.01.01		304,313.00
Add Outstanding Deposits		
<b>Date</b>	<b>Amount</b>	
31.01.01	15,000	15,000.00
Less Bank Credit incorrectly credited		
<b>Date</b>	<b>Amount</b>	
30.01.01	25.00	<u>25.00</u>
		319,288.00
Less Unpresented Cheques		
<b>Date</b>	<b>Cheque No.</b>	<b>Amount</b>
19.01.01	179643	40.00
		5,180.00
25.01.01	179645	365.00
28.01.01	179651	4,775.00
	Balance as per Cash Book	<u><u>314,108.00</u></u>

**Potter and Associates  
Trust Trial Balance  
as at 31.01.01**

Matter Number	Account Name	Matter Description	Amount
A1	Arena	Family Court – Property	7,725.00
A2	Ash	Estate late Angela Ash	32,920.00
B1	Barnes	Purchase Rockwall Gardens, Potts Point	174,000.00
B2	Barnes	Sale Point Piper	890.00
C1	Collette	Discrimination	1,450.00
C2	Cridman	Purchase North Newtown	500.00
C3	Cridman	Sale Darling Point	1,000.00
G1	Grolrow Pty Ltd	Subdivision Moore Park	9,425.00
H1	Harp	Incorporation	1,775.00
H3	Humungous Properties Pty Limited	Commercial Lease to Vista	423.00
J1	Jo	Breach of Contract	2,750.00
M1	Malkovich	Debt Collection	15,750.00
P1	Paltrow	Sale Palm Beach	1,500.00
P2	Paltrow	Purchase Whale Beach	30,000.00
S1	Streep	Medical Negligence	1,000.00
S2	Spacey	Personal Injury	10,000.00
Z1	Zhang	Purchase Business 'Flights of Fantasy'	<u>23,000.00</u>
			314,108.00

**Prepared by** H Potter (signed) **Dated:** 03.02.01

Clause 39(3)(d) Comparison  
Total Client Ledger 314,108.00

Statutory Deposit 314,108.00  
Reconciled Cash Book

Variance (should be Nil)

**Prepared by:** H Potter (signed) **on** 03.02.01

UTS BANKING CORPORATION

222 George Street  
Broadway

**Bank Statement**

Account Name: Potter and Associates Office Account  
 Account Number: 954-3810  
 Account Address: 7 Quay Street, Haymarket  
 Statement for period ended 31.01.01

Date	Particulars	Debit	Credit	Balance
10.01.01	Balance			0.00
14.01.01	Deposit		30,000.00	30,000.00
19.01.01	555603	200.00		29,800.00
19.01.01	Deposit		165.00	29,965.00
19.01.01	555602	7,769.30		22,195.70
24.01.01	555605	200.00		21,995.70
28.01.01	555606	377.00		21,618.70
28.01.01	555608	550.00		21,068.70
29.01.01	555607	1,925.00		19,143.70

**Potter and Associates  
Office Account  
Bank Reconciliation Statement  
for month ended 31.01.01**

Balance as per bank statement –			19,143.70
Add Outstanding Deposits			
<b>Date</b>		<b>Amount</b>	
28.01.01		1,622.50	<u>1,622.50</u>
			20,766.20
Less Unpresented Cheques			
<b>Date</b>	<b>Cheque No.</b>	<b>Amount</b>	
14.01.01	555601	1,045.00	1,170.00
22.01.01	555604	125.00	
		Balance as per Cash Book	19,596.20



**Potter and Associates  
Office Trial Balance  
as at 31.01.01**

Matter Number	Account Name	Matter Description	DR	CR
PL1	Harriet Potter Capital Account	Capital Account		30,000.00
PL2	Telephone	Telephone Account	950.00	
PL3	Office Machines	Machines	4,385.00	
PL4	Office Furniture	Furniture	2,638.00	
PL5	Stationery	Stationery	115.95	
PL6	Petty Cash	Petty Cash	57.70	
PL7	Office Refreshments	Refreshments	13.75	
PL8	Postage	Postage	45.00	
PL9	Office Rent	Rent	1,750.00	
PL10	Harriet Potter Drawings	Drawings	550.00	
PL11	Costs Rendered	Costs Rendered		2,048.00
PL12	Cash Book Control A/C		19,596.20	
PL13	GST		821.40	
CLC2	Cridman	Purchase Newtown	325.00	
CLH3	Humungous Properties	Lease to Vista	423.00	
CLS2	Spacey	Personal Injury	377.00	
			<u>32,048.00</u>	<u>32,048.00</u>

**Prepared by** H Potter (signed) **Dated:** 03.02.01

## FORM 4

Form Number 1

**Legal Profession Act 1987**  
**Legal Professional Regulation 1994 (Cl.42)**  
**NOTICE TO PERSON ON WHOSE BEHALF CONTROLLED**  
**MONEY IS RECEIVED**

## PART 1

(This Notice is issued when a solicitor acquires control of a person's money or deposits or invests money for a person and retains control of that money)

- 1 Name and address of person on whose behalf controlled money is received: **Tim Hanks, 15 Hollywood Drive, Birchgrove**
- 2 (where specific sum of money received)
- |  |                   |
|--|-------------------|
| (a) amount of money received             | <b>\$9,500.00</b> |
| (b) When money received                  | <b>15.01.01</b>   |
| (c) From whom money received             | <b>Tim Hanks</b>  |
| (d) How/where money is held by solicitor | <b>N/A</b>        |

OR

(where solicitor has power or authority over money in client's accounts/deposits)

- (e) names and numbers of accounts/deposits
- (f) Names and addresses of financial institutions or persons where or with whom accounts or deposits are held.
- (g) Date, registration particulars (if any) and nature of instrument granting power or authority to solicitor.
- Solicitor's instructions received from **Tim Hanks**  
 On **15.01.01**

To deal with money received or held in accounts/  
 Deposits noted in paragraph 2, as follows: **To invest with Westpac Bank at call at interest rates determined by Westpac. Such money to be held until disbursements are incurred.**

PART 2

Particulars as to the payment or investment of money referred to in Part 1 of this Notice (or in Part 1 of Notice No. dated \_\_\_\_\_).

Name and address of person on whose behalf

Controlled money is received. **As Above**

1. Amount of money paid/invested **\$9,500.00**

2. Date of payment/deposit **15.01.01**

3. Name and address of person or institution holding the money paid or deposited **Westpac Bank, 359 George Street, Haymarket**

4. Name and number of account or deposit **Potter and Associates ITF Hanks A/C DO11395**

5. Terms on which the money is deposited or invested:

(i) Term or maturity date of deposit **At Call**

(ii) The rate of interest **8.2%**

(iii) Date from which interest is computed **15.01.01**

(iv) The deposit or investment is unsecured

OR

The deposit or investment is secured and particulars of the security are:

(v) special terms (if any) **N/A**

## FORM 4

Form Number 2

Legal Profession Act 1987

Legal Professional Regulation 1994 (Cl.42)

## NOTICE TO PERSON ON WHOSE BEHALF CONTROLLED MONEY IS RECEIVED

## PART 1

(This Notice is issued when a solicitor acquires control of a person's money or deposits or invests money for a person and retains control of that money)

1. Name and address of person on whose

behalf controlled money is received:

**Solita Davidovich, Executrix late  
Tamara Davidovich, 12 Bright St,  
Rozelle**

2. (where specific sum of money received)

(a) Amount of money received

**\$173,249.57**

(b) When money received

**22.01.01**

(c) From whom money received

**Solita Davidovich**

(d) How/where money is held by  
solicitor

**N/A**

OR

(where solicitor has power or authority  
over money in client's accounts/deposits)

(e) names and numbers of accounts/deposits

(f) Names and addresses of financial  
institutions or persons where or with  
whom accounts or deposits are held.

(g) Date, registration particulars (if any)  
and nature of instrument granting power  
or authority to solicitor.

3. Solicitor's instructions received from  
On

**Solita Davidovich  
22.01.01**

To deal with money received or held in  
accounts/Deposits noted in paragraph 2,  
as follows:

**Deposit \$173,249.57 with National  
Australia Bank for 2 months then at call at interest rates determined by  
National Australia Bank.**

PART 2

Particulars as to the payment or investment of money referred to in Part 1 of this Notice (or in Part 1 of Notice No. dated \_\_\_\_\_).

Name and address of person on whose

behalf Controlled money is received.

**As Above**

1. Amount of money paid/invested

**\$173,249.57**

2. Date of payment/deposit

**22.01.01**

3. Name and address of person or institution holding the money paid or deposited

**National Australia Bank,  
357 George St, Haymarket**

4. Name and number of account or deposit

**Potter and Associates ITF Estate  
Davidovich  
A/C 349-341-790**

5. Terms on which the money is deposited or invested:

(i) Term or maturity date of deposit

**At Call**

(ii) The rate of interest

**8.5%**

(iii) Date from which interest is computed

**22.01.01**

(iv) The deposit or investment is unsecured

**OR**

The deposit or investment is secured and particulars of the security are:

(v) special terms (if any)

**N/A**

**'Potter and Associates'**  
**Controlled Money Ledger**  
*(specific sum received)*

**Matter No. 1**

ACCOUNT NAME: Hanks, Tim \_\_Matter number CM 1 \_\_  
 ACCOUNT ADDRESS: 15 Hollywood Drive, Birchgrove \_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

FINANCIAL INSTITUTION: Westpac Bank \_\_\_\_\_  
 ADDRESS: 359 George Street, Haymarket \_\_\_\_\_  
 Original Investment Amount \$ 9,500.00 \_\_Date 15/01/01 \_\_\_\_\_  
 Account Name Potter and Associates ITF for Hanks  
 Account Number DO 11395 \_\_\_\_\_  
 Term/duration At Call \_\_\_\_\_  
 INTEREST: Rate 8.2% \_\_\_\_\_  
                   Payable from 15.01.01 \_\_\_\_\_  
                   Payable on Monthly \_\_\_\_\_

SECURITY HELD: Nil \_\_\_\_\_

Date	Form No.	Paid to/Rec'd from; Reason	Debit (Withdrawal)	Credit (Deposit)	Balance
15.01.01	CM1	T Hanks – Investment on a/c disbursements		9,500.00	9,500.00

**‘Potter and Associates’  
Controlled Money Ledger**  
*(specific sum received)*

**Matter No. 1**

ACCOUNT NAME: Davidovich, Solita Matter number CM2  
 ACCOUNT ADDRESS: 12 Bright Street, Rozelle \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

FINANCIAL INSTITUTION: National Australia Bank \_\_\_\_\_  
 ADDRESS: 357 George Street, Haymarket \_\_\_\_\_  
 Original Investment Amount \$ 173,249.57 \_\_Date 22/01/01 \_\_\_\_\_  
 Account Name Potter and Associates ITF Estate  
 Tamara Davidovich  
 Account Number 349-341-790 \_\_\_\_\_  
 Term/duration 2 months then at call \_\_\_\_\_  
 INTEREST: Rate 8.5% \_\_\_\_\_  
 Payable from 22.01.01 \_\_\_\_\_  
 Payable on Monthly \_\_\_\_\_  
 SECURITY HELD: Nil \_\_\_\_\_

Date	Form No.	Paid to/Rec'd from; Reason	Debit (Withdrawal)	Credit (Deposit)	Balance
15.01.01	CM1	S Davidovich – Investment Estate Money		173,249.57	173,249.57

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**Potter and Associates**  
**Controlled Money Listing of Accounts**  
**as at period ended 31.01.01**

**Specific Sum Received**

<b>Matter/Other Ref/No</b>	<b>Client Name</b>	<b>Financial Institution</b>	<b>Amount</b>
CM1	Hanks	Westpac	9,500.00
CM2	Davidovich	National Australia	173,249.57

**Prepared by** H Potter (signed) **Dated:** 03.02.01





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