

SOLICITOR'S ACCOUNT

A solicitor and a law firm have the responsibility to

- i. Protect client money
- ii. Act with integrity
- iii. Behave in a way that maintains the trust the public places in the solicitor and in the provision of legal services
- iv. Comply with legal and regulatory obligations and deal with regulators in an open and cooperative manner
- v. Run the business or carry out a role in the business effectively and in accordance with proper governance and sound financial and risk management principles.

All of these help achieve the following outcomes:

- i. Client money is safe
- ii. Clients and the public have confidence that client money held by firms will be safe
- iii. Firms are managed in such a way and with appropriate systems and procedures in place, so as to safeguard client money
- iv. Client accounts are used for appropriate purposes only
- v. The regulation authority is aware of issues in a firm relevant to the protection of client money

Reasons Why Solicitors Should Keep Accounting Records

There are several reasons to keep books and records:

- i. **Protection of the Public:** The minimum requirements are aimed at protection of the public and therefore focus on trust records. General trust law requires trustees, including lawyers holding client funds, to be able to account to beneficiaries at any time. In order to do this, you have to have recorded the money you received from each client, what money you disbursed for each client, and what the unexpended balance is for each client. You also have to keep your bank statements as an independent record (source document) of your trust transactions.
- ii. **For Decision Making:** But the most important reason to keep books and records is because it is in your best interest. By maintaining complete, accurate and up to date records, you will have current financial information available so you can make sound financial decisions about your practice.
- iii. **Meeting Statutory Obligations:** Proper accounting records also help you to meet your statutory obligations in filing reports on time to the Tax authorities for income tax and to other law related associations and regulators.

Accounting Books Required

- i. Cashbook (2 Columns: Client's Bank A/c and Office Bank A/c)
- ii. Client's Ledger A/c: 2 Columns: Client's A/c and Office A/c
- iii. Private Ledger A/c
- iv. Bill delivered book
- v. Petty cash or disbursement book

Illustration

a. Mr Rice, a solicitor, has the following transactions during the month of June 2017:

June 10: Paid ₦85,000 to Mr Beans, at the request of his client, Mr Beef with respect to a debt.

June 15: Paid ₦55,000 to Mr Stew, at the request of his client, Mr Beef with respect to a debt.

June 20: Mr Beef pays ~~₦~~490,000 to the solicitor to meet the amount advanced and settle his debts.

June 25: The solicitor paid ~~₦~~260,000 as balance of the debt owed to Mr Beans and Mr Stew.

The solicitor charged Mr Beef ~~₦~~25,000 for the services rendered and remits the balance to Mr Beef.

Required: Post the above transactions in the necessary accounts in the books of Mr Rice.

Solution

CLIENT'S LEDGER (BEEF)

Date	Particulars	Office	Client	Date	Particulars	Office	Client
10-Jun	Cash Advance	85,000	-	20-Jun	Cash	-	490,000
15-Jun	Cash Advance	55,000	-	20-Jun	Cash	140,000	-
20-Jun	Cash	-	140,000	25-Jun	Cash	25,000	-
25-Jun	Cash	-	260,000				
25-Jun	Cash	-	25,000				
Jun-31	Cash (Balance Remitted)	-	65,000				
Jun-31	Private Ledger	25,000	-				
		<u>165,000</u>	<u>490,000</u>			<u>165,000</u>	<u>490,000</u>

PRIVATE LEDGER

Jun-31	P or L	<u>25,000</u>	Jun-31	Beef	<u>25,000</u>
--------	--------	---------------	--------	------	---------------

CASH BOOK

Date	Particulars	Office	Client	Date	Particulars	Office	Client
20-Jun	Beef	-	490,000	10-Jun	Beef Advance	85,000	-
20-Jun	Beef	140,000	-	15-Jun	Beef Advance	55,000	-
25-Jun	Beef	25,000	-	20-Jun	Beef	-	140,000
				25-Jun	Beef	-	260,000
				25-Jun	Beef		25,000
				Jun-31	Beef (Balance remitted)	-	65,000
				Jun-31	Bal. c/d	25,000	-
		<u>165,000</u>	<u>490,000</u>			<u>165,000</u>	<u>490,000</u>