

Sols Keypoints by Anthoneth Oliora

Basic accounting principles

1. Debit the receiver credit the giver
2. **Income** balances are credit accounts
3. Profit cost and VAT are credit accounts. It becomes debit when it is paid
4. Always look out for who is receiving and who is giving
5. You must account to the client for a **fair sum** of interest held on their behalf unless there is an agreement to the contrary.
6. An interest payable ledger would be necessary if the firm was allowing a sum in lieu of interest on money held in the firms general client bank account.
7. At least every 5 weeks obtain bank statements from the relevant bank or building society for all client and business account
8. At least every 5 weeks check bank statements against the firm, client accounts, and cash book to make sure they balance
9. Accountants reports must be completed within 6 months of the accounting period
10. If the accounting report is qualified it must be submitted to SRA within six months of the end of the accounting period
11. If the clients money is less than 250k pounds in an accounting period there is no need for an accountant report.
12. Petty cash is cash withdrawn to meet small cash payments

1	When firm receives clients money e.g deposit paid for property transaction	1. Debit Cash sheet client Account Credit Client ledger
2	When the firm withdraws clients money eg withdrawing deposit to pay out to sellers solicitors	1. Debit Client Ledger Credit Cash sheet client account
3	When the firm receives mixed receipt (Client and Business money) for example a client paid for settlement of profit costs in excess	1. Debit Cash sheet client Account Credit Client ledger Transfer the business money Debit Client ledger Credit Cash sheet Client Account To record the movement to business account Debit Cash sheet Business account Credit Client ledger business section
4	Transferring money from Client A to B	1. Debit client ledger for client A Credit Client ledger for client B
5	Where the firm makes disbursements on behalf of client where clients account is insufficient	1. Debit client ledger business account Credit Cash sheet Business account
	Where the firm makes disbursements on behalf of client where clients account is sufficient	1. Debit Client ledger Client account Credit Cash sheet client account
6	Where client refunds the disbursements made by firm on his behalf	1. Debit cash sheet Business Account Credit Client ledger Business Account

7 When the firm sends bills of costs to the client	1. Debit Client ledger Business account Credit profit costs account
To take the money out of clients account assuming client has enough money 8	1. Debit Client ledger Client account Credit Cash sheet client account
To put the money in the business account to reflect payment of the bill of costs 9	1. Debit cash sheet Business Account Credit Client ledger Business Account
10 If the firm is registered for VAT and charges VAT in addition to profit costs	1. Debit Client ledger business section Credit profit cost 2. Debit Client ledger Business section Credit VAT
If the client disputes the bill and asks for a reduction on Profit costs known as abatement 11	1. Debit profit costs Credit Client ledger business section 2. Debit VAT Credit Client ledger Business section
12 When the solicitor pays for a disbursement as principal, the solicitor must pay the disbursement plus VAT out of the firms account	1. Debit Client ledger business account Credit cash sheet business account. 2. Debit VAT account Credit Cash sheet business account

when the solicitor pays for a disbursement as agent no separate entry for VAT IS needed. The money is paid out of client account if the money is sufficient 13	Debit Client ledger Client account Credit Cash sheet client account
14 to close a client account	Debit Client ledger Client account Credit Cash sheet client account
15 Where deposit is held for client as a stakeholder	Debit cash sheet client Account Credit stakeholder ledger
Where the transaction is completed and money transferred to seller if the seller is a client 16	Debit Client stakeholder ledger Credit Sellers ledger
Where the solicitor acts as an agent the accounts will be recorded in the usual way 17	Debit Cash sheet client Account Credit Client ledger
18 Receiving mortgage funds from Bank	Debit Cash sheet client Account Credit Client ledger
19 Where the solicitor acts as for the Lender (Bank) and the buyer	<ol style="list-style-type: none"> 1. Debit cash sheet client Account Credit Client ledger (Bank) 2. Transfer to the buyers account Debit Client ledger (Bank) Credit Client ledger buyer

13 Accounting for interest using a designated deposit account

Debit Deposit account Credit Client ledger (Remember to record the usual way first if the interest is paid out of a general client account)

14 When cash is withdrawn for petty cash

Debit petty cash account Credit Cash business section

When a payment is made eg buying some stationeries

Debit Stationery ledger Credit petty cash