



THE LAW SOCIETY OF SCOTLAND  
QUALIFIED LAWYERS ASSESSMENT

**THE ACCOUNTS RULES**

2 November 2021

1300 – 1430  
(90 minutes)

Candidates are required to answer TWO out of three questions.

Throughout this paper The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 are referred to as the Money Laundering Regulations.

## Question 1

- a) You receive a phone call from Mr Johnstone. He explains that he and his wife were existing clients of your firm prior to 2011 when they moved to South Africa, where they are still resident; they are moving back to Scotland and intend to live here in the future. He would like advice in relation to setting up trusts for his grandchildren with a total value of £1.5m and also purchasing an investment property in Edinburgh circa £800,000.
- (i) Bearing in mind that you have acted for the clients before, explain what, if any, additional documentation is required to verify address or identity.
  - (ii) In addition to the above is there any further information you would require? If so, what and why?
- b) You contact Mr Johnstone to discuss any additional requirements you have identified in (i) and/or (ii) above. He states that that anything further you need will be provided for you, but as the post from South Africa takes a while to arrive, you should still proceed with the trusts and the investment property. This is because the clients have identified the property and wish the offer to be submitted immediately. Properties are selling very quickly at the moment, and they do not wish to miss this opportunity.
- (i) Based on all the information above are there any grounds for suspicion, if so, please detail what those grounds are and why and if not, why not. If you believe there are grounds for suspicion, detail the steps you will take?
  - (ii) 3 days later your cashroom tell you that they have received £800,000 by way of electronic transfer. It has been traced to Mr Johnstone. You have not heard from him since your conversation at (b) above. Detail what steps you need to take, including whether or not you should speak to Mr Johnston about the money. What should you do with the money, and what further information if any should you seek?

## Question 2

- a) You are a partner in a legal firm. One of your partners has asked you, as a favour, to “deal with the paperwork” to allow him and his to grant a standard security over their house (they are re-mortgaging with a well-known UK bank). You check the system and see that you have client verification documents for your partner but not his wife. What do the Accounts Rules say about your ability to act?
- b) You act for 2 companies, Edinburgh Gin Company Limited and Glasgow Gin Company Limited. These companies are wholly owned by Mr Smith. The two companies have separate directors. The client due diligence paperwork is up to date. Your practice holds £3,500 on an interest-bearing account for Edinburgh Gin Company Limited. Your fee of £2,000 plus VAT rendered to the Glasgow Gin Company Limited is outstanding. The managing director (who you know well) of the Glasgow Gin Company Limited tells you that Mr Smith wants you to take the money due under that invoice from the £3,500. You are told that the intention is to wind down trading activities of Edinburgh Gin Company Limited and that in due course the two companies will be merged.

What do the Accounts Rules say about what you are permitted to do and what if anything do you need in order to do it? Give reasons.

- c) What do the Accounts Rules say about account reconciliations? What is the purpose of these rules and why are they necessary?
- d) You are closing old files and whilst reviewing one you are horrified to find a cheque for £150 still stapled to a letter which you received from this client 3 months ago. The case is finished. The letter explains that the cheque was a payment to account of outlays. £50 of outlays have been incurred and paid by your firm which is in debit in that sum. What are the rules on banking client money and how do you propose to deal with the cheque?

## Question 3

- a) What do the Accounts Rules say about withdrawing money from a client account?
- b) What are the duties of the Cashroom Manager?
- c) Under Rule B9 what powers does the Council of the Law Society of Scotland have?

**END OF QUESTION PAPER**