

COUNCIL OF LEGAL EDUCATION
NORMAN MANLEY LAW SCHOOL

LEGAL EDUCATION CERTIFICATE
SECOND YEAR SUPPLEMENTARY EXAMINATIONS, 2013

LAW OFFICE MANAGEMENT, ACCOUNTING AND TECHNOLOGY

(WEDNESDAY, AUGUST 14, 2013)

Instructions to Students

- (a) Time: 3½ hours
- (b) Answer **FIVE** questions, not more than **THREE** from any part.
- (c) Answer Part A and Part B on separate answer booklets.
- (d) In answering any question, a candidate may reply by reference to the law of any Commonwealth Caribbean territory, but must state at the beginning of the answer the name of the relevant territory.
- (e) It is unnecessary to transcribe the questions you attempt.
- (f) Answers should be written in black or dark blue ink.
- (g) Calculators may be used.

PLEASE REMAIN SEATED UNTIL YOUR SCRIPT HAS BEEN COLLECTED.

PART A

LAW OFFICE MANAGEMENT AND TECHNOLOGY

QUESTION 1

Answer both (a) and (b)

- (a) Lydia Peabody, attorney-at-law, has been in practice for some 10 years. Her areas of specialization include estate planning, probate and succession, and conveyancing. Since the practice started, every file that has ever been opened remains in one of the four filing cabinets in the office. The cabinets are chock-full of current as well as completed files and Miss Sanderson, Miss Peabody's long-suffering secretary, complains bitterly about the situation every time she has to retrieve a file or place another one in the cabinets. The office itself has no space for additional cabinets and Miss Peabody does not seem to know what to do about the situation, with the result that she has done nothing to address it.

What improvements would you suggest Miss Peabody make to her current approach to file storage in order to alleviate the space constraints in the office while ensuring that she is better organized and can fulfill her professional responsibilities?

- (b) John Keating, attorney-at-law, is a top-flight commercial and tax attorney, known for his creativity in structuring complex transactions and tax-saving devices. He also has a niche practice in the area of revenue protection, acting for business entities in disputes with the customs department and other revenue collecting agencies. In the course of the practice he receives from clients important original documents including import and export documentation, certificates of title, security instruments, loan agreements and promissory notes, sale agreements, minute books and accounting and tax records. At present, these documents are placed by his secretary wherever she thinks fit. Consequently, some are placed in an envelope which is stapled to the inside cover of

the relevant file. Some are themselves pinned to the file, while the bigger items may be shoved into the space behind the file in the filing cabinet. Sometimes clients insist on receiving acknowledgement of receipt of the items when delivering them to John's office but, other than that, there is no separate record of them.

Advise John on the appropriateness of the manner in which his clients' documents are being handled in his office and the approach he may take to ensure that he meets his professional obligations and adheres to sound management practice.

QUESTION 2

It is said that the client engagement letter is the first step in establishing a healthy attorney - client relationship. Outline the recommended content of such a letter, indicating the justification for the inclusion of each item.

QUESTION 3

You are the managing partner of a firm of attorneys-at-law. Your firm is reluctant to spend money training and developing its staff, whether they be professional or non-professional. In addition, there is a culture of informal evaluation of employees based solely on day-to-day interaction between the partners and staff and on what each partner personally expects from them. In your view, both approaches are having a negative effect on the firm.

Write a memorandum to your fellow partners outlining what the approach of the firm should be on the issues of training and development and staff evaluation, giving justification for your position and specific steps which need to be taken in respect of both.

QUESTION 4

Clayton, Clarice and Chloe engage in the practice of law in partnership. They offer legal services in a wide range of areas including civil litigation, conveyancing and probate as well as commercial law.

There is a steady stream of good billable work coming into the firm and they are all industrious, hard-working attorneys-at-law. Despite this, there are times during the financial year when, to meet their day-to-day expenses, they are forced to utilize the overdraft facility which the firm has with its bank. The firm's office manager, Tom, keeps harping on about the need for revenue management.

What does Tom mean by this and what steps ought they to take in implementing a system of revenue management within the firm?

QUESTION 5

Phillip, who has worked as in-house counsel at the People's Credit Union since graduation from law school, is going into private law practice on his own very soon due to the looming closure of the Credit Union and his lack of success in procuring another position. He is naturally concerned about avoiding professional negligence claims and disciplinary complaints, particularly arising from missed deadlines and limitation dates, as he has a terrible memory. Partly for the same reason, he is also concerned about inadvertently breaching the rules of his profession concerning conflict of interest.

Advise Phillip on the law office management systems which may be put in place by him to minimize both these risks, including in each case the characteristics of a good system.

PART B
ACCOUNTING

QUESTION 6

The following trial balance was prepared for A. Adage at April 30, 2013:

	\$	\$
Opening Stock	1,500,000	
Purchases	7,500,000	
Carriage in	50,000	
Sales Returns	300,000	
Insurance	200,000	
Rent	300,000	
Miscellaneous expenses	15,000	
Stationery	185,000	
Plant & Machinery at cost	3,500,000	
Building	6,000,000	
Equipment	8,000,000	
Fixtures & Fittings	5,000,000	
Motor Vehicles	3,000,000	
Accounts Receivable	9,000,000	
Short-term Investments	9,250,000	
Cash at Bank	10,000	
Cash in hand	2,000	
Drawings	75,000	
Utilities	150,000	

Salaries	500,000	
Carriage out	8,000	
Discount allowed	5,000	
Provision for bad debts		1,000,000
Provision for depreciation (Plant & Machinery)		1,400,000
Provision for depreciation (Buildings)		200,000
Provision for depreciation (Equipment)		3,200,000
Provision for depreciation (Fixtures and Fittings)		2,000,000
Provision for depreciation (Motor Vehicles)		1,200,000
Sales		27,000,000
Purchases Returns		100,000
Capital		9,350,000
Discount Received		100,000
Bad debt recovered		1,000,000
Accounts Payable	<u> </u>	<u>8,000,000</u>
	54,550,000	54,550,000

The following items are to be accounted for:

- (a) Stock at April 30, 2013 is valued at \$1,500,000.
- (b) Provision for bad debts is expected to be 10% of Accounts Receivable.
- (c) The company uses the straight line method for depreciation and the following rates are applicable:

Plant and Machinery	20%
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Buildings	3%
Equipment	20%
Fixtures and Fittings	20%
Motor Vehicles	20%

(d) The proprietor withdrew goods valued at \$150,000 for his personal use.

(e) The following amounts are owing at April 30, 2013

Utilities \$12,500

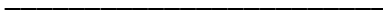
Rent \$24,000

(f) Insurance amounting to \$20,000 has been prepaid.

Required:

(i) Prepare the Statement of Comprehensive Income for the year ended April 30, 2013

(ii) Prepare the Statement of Financial Position as at April 30, 2013.



QUESTION 7

Ball and Bell operate a Gift Shop on the 'Hip Strip' in Western Jamaica. The following information relates to the partnership for the year ended June 30, 2013:

	\$
Capital (Ball)	8,000,000
Capital (Bell)	9,000,000

Partnership Salaries \$

 Ball 300,000

 Bell 400,000

Drawings

 Ball 250,000 (July 1, 2012)

 Bell 650,000 (July 1, 2012)

Interest on Drawings 10% per annum

Interest on Capital 8% per annum

Profits and losses are to be shared equally between the partners.

The firm's net profit for the year was \$18,275,000.

Current Account balances at July 1, 2012

 Ball \$850,000 (Debit)

 Bell \$620,000 (Credit)

Ball and Bell both made drawings on July 1, 2012.

Required:

- (i) Prepare the Profit and Loss appropriation account for the year ended June 30, 2013.
- (ii) Prepare the Current Account balances of Ball and Bell at June 30, 2013.
- (iii) Explain the rationale for charging interest on cash withdrawn from the partnership by the partners?

QUESTION 8

The bank columns in the cash book for February 2013 and the bank statement for that month for C. Cole are as follows:

2013	Dr	\$	2013	Cr	\$
Feb 1	Balance b/d	23,790	Feb 5	D. Blake	1,500
Feb 7	B. Green	1,580	Feb 12	J. Gray	4,300
Feb 16	A. Silver	930	Feb 16	B. Stephens	880
Feb 27	M. Brown	3,070	Feb 28	Orange Club	570
Feb 28	K. Black	<u>6,240</u>	Feb 28	Balance c/d	<u>28,330</u>
		35,610			35,610
Mar 1	Balance b/d	28,330			

Bank Statement

2013	Dr	Cr	Balance
	\$	\$	\$
Feb 1	Balance b/d		23,790
Feb 7	Cheque	1,580	25,370
Feb 8	D.Blake	1,500	23,870
Feb 16	Cheque	930	24,800
Feb 17	J.Gray	4,330	20,470
Feb 18	B.Stephens	880	19,590
Feb 27	Cheque	3,070	22,660
Feb 28	Standing Order	440	22,220
Feb 28	Johnson's trader's credit	900	23,120
Feb 28	Bank charges	700	22,420

The standing order reflected on the Bank Statement on February 28, 2013 relates to the payment of insurance premiums.

Required:

- (i) Update the cash book.
 - (ii) Prepare the bank reconciliation statement as at February 28, 2013.
 - (iii) What is the purpose of the bank reconciliation statement?
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QUESTION 9

Affinity Limited has employed Astrid Herrera who has just graduated from Wharton School of Business with an MBA as a Budget Analyst. Her first assignment is to prepare a cash budget for the quarter ending September 30, 2014. The following items are to be used to inform the preparation of the budget.

- (a) The following sales represent forecasted sales:

	\$
July	1,500,000
August	2,000,000
September	3,000,000

The company has the policy of allowing 90% of its sales as credit sales. The customers pay one month after the sale. 10% of the sales represent cash sales.

- (b) The company negotiates with its suppliers two months credit on 40% of its purchases. The remainder represents cash purchases. The following purchases were made during the quarter:

	\$
July	900,000
August	1,200,000
September	1,800,000

- (c) Monthly overheads of \$200,000 are incurred. Included in this figure is depreciation of \$40,000. Overheads are paid on a monthly basis.
- (d) The directors have agreed to inject capital of \$13,000,000 in August.
- (e) The company has decided to pay dividends of \$500,000 to its shareholders in September.
- (f) As a part of the company's policy of fiscal prudence the company has decided to invest \$6,500,000 in Government Paper in September.
- (g) Monthly salaries of \$250,000 are paid when incurred.
- (h) The company expects to receive dividends of \$1,500,000 from Oakton Holdings Limited in July.
- (i) The company purchased computer equipment in August costing \$300,000. 50% of the cost is to be paid immediately and the remainder one month later.
- (j) Company profits tax of \$1,200,000 is to be paid in March, June, September and December.

- (k) The company plans to repay the balance on its loan with Federated Commercial Bank. The outstanding principal is \$2,500,000 and the interest accruing is \$50,000. It is expected that principal and interest will be repaid in August.
- (l) The balance of cash on July 1, 2014 is expected to be \$1,200,000.

Required:

- (i) Prepare a cash budget for the quarter ending September 30, 2014.
- (ii) What comments can be made about the information given above?

END OF PAPER