

COUNCIL OF LEGAL EDUCATION  
NORMAN MANLEY LAW SCHOOL

LEGAL EDUCATION CERTIFICATE  
SECOND YEAR SUPPLEMENTARY EXAMINATIONS, 2014

LAW OFFICE MANAGEMENT, ACCOUNTING AND TECHNOLOGY

(AUGUST 13, 2014)

Instructions to Students

- (a) Time: 3½ hours
- (b) Answer **FIVE** questions, but 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 and are provided.

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**PLEASE REMAIN SEATED UNTIL YOUR SCRIPT HAS BEEN COLLECTED.**

**PART A**  
**LAW OFFICE MANAGEMENT AND TECHNOLOGY**

**QUESTION 1**

Marjorie and Jerome are six-year graduates of the Norman Manley Law School and have been in practice in partnership for about four years. The last twelve months have been beset by a number of events which have threatened to wipe out the profit that they have been able to eke out despite the stiff competition for work.

First, there was old Mrs Jennings, who tripped on the lifting edge of the carpet at the entrance to the office and suffered a broken hip. Her surgery cost a “pretty penny” but luckily for the partnership she did not take them to court or make any claim for damages for pain and suffering and the like, being content to have them pay the cost of her treatment.

Then there was the personal injury matter in which Jerome had mistakenly omitted to file the claim within the limitation period, albeit in circumstances where the client had come in at the last minute and then had proved to be quite uncooperative. Nevertheless the firm had had to take responsibility for the omission and had, after some negotiation, agreed a sum with the client by way of compensation.

The last straw was the matter of Mary, their filing clerk, who went into the storage area for closed files to retrieve a file and in trying to take the relevant box down from the shelf managed to sprain her wrist and drop the box on her foot causing a fracture of some of the tiny bones to be found there. She, unlike Mrs. Jennings, was not content with their picking up the cost of her treatment but instead had promptly resigned and made a claim in court for compensation which they were having to defend.

All these events have forced Marjorie and Jerome to consider the matter of insurance for the practice and they have sought your advice on:

- (i) the type of insurance they should consider taking out which would likely have given them some protection from the losses suffered these last twelve months and any which may arise from Mary's claim; and
- (ii) the purpose of such insurance and the liability covered, including any limits to the events or circumstances typically covered by each type of insurance of which Marjorie and Jerome ought to be aware.

Advise them.

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## **QUESTION 2**

Harvey Duncan, an attorney-at-law, prides himself on moving with the times. This is largely due to the fact that despite his age of 62 he has readily embraced the use of technology in his office and utilizes desktop and laptop computers, very high-tech printers with computer memory, video-conferencing equipment and smart phones. He is even toying with the idea of using cloud computing but has not quite made up his mind about that.

Harvey is an ethical attorney who would never dream of intentionally disclosing his client's confidential information. He is very familiar with the traditional pre-technology methods of protecting that confidentiality such as keeping files out of sight, having a clean desk policy and so on. However, he is not as familiar with some of the confidentiality issues which can arise in relation to the use of technology, nor has he considered the measures to be taken to prevent a confidentiality breach.

You have just been employed by Harvey as an associate and he has asked you to help him with this matter.

Prepare a memorandum to Harvey outlining the potential for breach of a client's confidential information which the use of technology can pose and suggest measures which should be taken to minimize the risk of such breach.

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### **QUESTION 3**

The danger posed to attorneys-at-law under anti-money laundering legislation is of great concern to Leslie Naylor, an attorney-at-law who specialises in conveyancing.

He has asked for your advice on the measures he should put in place in the management of his office in order to minimize the risk to him of liability under relevant anti-money laundering laws and regulations.

Advise Leslie.

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### **QUESTION 4**

In February of this year, Opal, an attorney-at-law, saw one Nora Johnson who, without a prior appointment, sought to see her concerning a dispute with Nora's employer. Nora gave Opal no

documents but simply explained to Opal the general nature of the matter and the name of Nora's employer.

Opal indicated to her that she would be happy to assist her but that Nora would need to sign Opal's standard retainer letter and pay the sum of \$50,000 on account of fees in order for her to commence work on the matter. Nora left the office with the retainer letter and has not been heard from since.

- (i) Outline the steps that you would advise Opal to take in relation to Nora in the circumstances, giving reasons, and describe the contents of any document(s) you would advise her to prepare in connection therewith.
- (ii) Assume that Opal gave Nora a formal legal opinion and then discovered that there was a conflict of interest. Outline the contents of the document(s) you would advise Opal to prepare.

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### **QUESTION 5**

It is said that proper file management will increase the effectiveness and profitability of one's practice as an attorney-at-law. Your friend Alonso, who has a bustling practice and the most untidy law office you have ever seen, needs to be persuaded of this and to be educated as to what is involved in the process.

Prepare notes on the matter preparatory to a preliminary meeting with Alonso to discuss it. Your notes should include:

- (i) the purposes of file management;

- (ii) a suitable approach to the organization, storage and tracking of all files (including but not limited to client files) created in the course of the practice; and
- (iii) a suitable approach to the opening of client files including a summary of any documents which you would suggest Alonso utilize in the process.

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**PART B**  
**ACCOUNTING**

**QUESTION 6**

The following Trial Balance is presented for Vernon Limited at June 30, 2014

	\$mn	\$mn
Opening stock	60.00	
Purchases	430.00	
Sales returns	15.00	
Carriage inwards	6.00	
Miscellaneous expenses	2.00	
Wages and salaries	50.00	
Insurance	28.00	
Carriage out	4.00	
Security expenses	9.00	
Utilities	20.00	
Stationery	4.00	

	\$mn	\$mn
Discount allowed	6.00	
Bad debts	9.00	
Motor expenses	1.00	
Postage	1.00	
Interest expense	5.00	
Drawings	4.00	
Plant and machinery	155.00	
Motor vehicles	150.00	
Trade debtors	100.00	
Cash at bank	140.00	
Cash in hand	1.00	
Computer equipment	100.00	
Buildings	760.00	
Land	195.00	
Short –term investments	70.00	
Sales		995.00
Purchases returns		5.00
Investment income		12.00
Bad debt recovered		16.00
Provision for bad debts		15.00
Capital		902.00
Provision for Depreciation:		
Plant and machinery		62.00

	\$mn	\$mn
Motor vehicles		30.00
Computer equipment		40.00
Buildings		57.00
Mortgage		125.00
Trade creditors	_____	<u>66.00</u>
	<u>2,325.00</u>	<u>2,325.00</u>

The following additional information was also available at June 30, 2014.

- (i) Stock at June 30, 2014 was \$40.00mn.
- (ii) During the year the proprietor withdrew goods valued at \$18.00mn from the business for his personal use.
- (iii) The following sums are unpaid at June 30, 2014:
 

Salaries and Wages	\$2.00mn
Utilities	\$3.00mn
Security expenses	\$2.00mn
- (iv) Insurance amounting to \$14.00mn was prepaid at June 30, 2014.
- (v) Vernon Limited has estimated that its provision for bad debts will be 10% of trade debtors.
- (vi) The company uses the straight line method of depreciation. The following estimates relate to the lives of the assets listed below:
 

Plant and machinery	5 years
Motor vehicles	5 years
Computer equipment	5 years
Buildings	40 years



- (vii) \$25.00mn of the outstanding mortgage balance is scheduled to be repaid in September 2014. The payment following that, is expected to be made in September 2015.

**Required:**

- (i) Prepare the Statement of Comprehensive Income for Vernon Limited for the year ended June 30, 2014.
- (ii) Prepare the Statement of Financial Position for Vernon Limited as at June 30, 2014.

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**QUESTION 7**

The cash book of Veracious Limited for the month of July is given below.

<b>2014</b>		<b>\$mn</b>	<b>2014</b>		<b>\$mn</b>
July 1	Bal b/d	5.00	July 6	Salaries a/c	4.00
July 8	Sales a/c	15.00	July 7	Repairs a/c	0.10
July 9	Rental Income a/c	2.00	July 8	Insurance a/c	1.90
July 15	Sales a/c	17.00	July 10	Wages a/c	2.00
July 22	Sales a/c	10.00	July 16	Audit fees a/c	1.50
July 29	Sales a/c	45.00	July 23	Legal fees a/c	1.50
July 30	Dividend Income a/c	10.00	July 31	Wages a/c	2.00
July 31	Sales a/c	<u>5.00</u>	July 31	Bal c/d	<u>96.00</u>
		<u>109.00</u>			<u>109.00</u>
August 1	Bal b/d	96.00			

**First Commercial Bank**

	<b>DR</b>	<b>CR</b>	<b>Balance</b>
	<b>\$mn</b>	<b>\$mn</b>	<b>\$mn</b>
July 1			5.00
July 6	4.00		1.00
July 7	0.10		0.90
July 8	1.90		(1.00)
July 8		15.00	14.00
July 9		2.00	16.00
July 10	2.00		14.00
July 15		17.00	31.00
July 16	1.50		29.50
July 23	1.50		28.00
July 30	7.00		21.00
July 31	1.00		20.00

The sum debited on the bank statement of Veracious Limited on July 30, represents an amount for charitable subscriptions.

The sum debited on the bank statement of the company on July 31, represents bank charges for the month of July.

**Required:**

- (i) Prepare an updated bank account for Veracious Limited at July 31, 2014.
- (ii) Prepare the Bank Reconciliation Statement for Veracious Limited at July 31, 2014.
- (iii) What is the purpose of the bank reconciliation statement?



The partnership agreement states that profits and losses should be shared in the ratio 40%, 30% and 30% for Daye, Phillips and Williams respectively.

**Required:**

- (i) Prepare the Profit and Loss Appropriation Account for the year ended June 30, 2014.
- (ii) Prepare the Current Accounts for Daye, Phillips and Williams as at June 30, 2014.

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**QUESTION 9**

You are considering the possibility of acquiring shares in Oakshore Limited. The information given below has been extracted from the company's published accounts.

	<b>2013</b>	<b>2012</b>
	\$mn	\$mn
Sales	35.00	17.00
Cost of Sales	<u>24.50</u>	<u>13.60</u>
Gross Profit	10.50	3.40
Less:		
Selling and Distribution	2.50	0.50
Administration Overheads	<u>3.00</u>	<u>0.70</u>
Operating Profit	5.00	2.20
Net Interest expense	<u>1.50</u>	<u>1.00</u>
Profit before tax	3.50	1.20
Tax	<u>1.50</u>	<u>0.40</u>
Profit after tax	2.00	0.80

**Oakshore Limited**

**Statements of Financial Position as at December 31, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
	<b>\$mn</b>	<b>\$mn</b>
<b><u>Non-Current Assets</u></b>		
Land	350.00	350.00
Buildings	235.00	180.00
Less Provision for depreciation	<u>85.00</u>	<u>65.00</u>
Net Book Value	150.00	115.00
Plant & machinery	150.00	130.00
Less Provision for depreciation	<u>65.00</u>	<u>32.00</u>
Net Book Value	85.00	98.00
Equipment	78.00	58.00
Less Provision for depreciation	<u>23.00</u>	<u>11.60</u>
Net Book Value	55.00	46.40
Motor vehicles	20.00	17.00
Less Provision for depreciation	<u>12.00</u>	<u>6.00</u>
Net Book Value	8.00	11.00
<b>Total Non-Current Assets</b>	<b>648.00</b>	<b>620.40</b>
<b><u>Current Assets</u></b>		
Inventory	40.00	38.00
Trade receivables	15.00	10.00
Less Provision for bad debts	<u>6.00</u>	<u>3.00</u>
Net Trade receivables	9.00	7.00

	<b>2013</b>	<b>2012</b>
	<b>\$mn</b>	<b>\$mn</b>
Short-term investments	25.00	16.00
Cash at bank	12.00	10.00
Cash in hand	<u>2.00</u>	<u>1.50</u>
<b>Total Current Assets</b>	<b>88.00</b>	<b>72.50</b>
Less Current Liabilities		
Trade payables	40.00	32.50
Current portion of Long-term loan	<u>12.00</u>	<u>14.00</u>
Total Current Liabilities	52.00	46.50
<b>Net Current Assets</b>	<b>36.00</b>	<b>26.00</b>
Non-Current Assets and Net Current Assets	<b>684.00</b>	<b>646.40</b>
Share Capital	340.00	340.00
Reserves	219.00	219.00
Retained Profit	<u>16.20</u>	<u>16.00</u>
Total Shareholders equity	575.20	575.00
Non-Current Liabilities		
Long-term Loan	<u>108.80</u>	<u>71.40</u>
	<b>684.00</b>	<b>646.40</b>

**Required:**

- (i) Calculate the following ratios for Oakshore Limited for 2012 and 2013
  - (a) gross profit to sales
  - (b) net profit to sales
  - (c) asset turnover

(d) return on assets

(e) return on equity

(ii) Comment on the financial health of Oakshore Limited.

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**END OF PAPER**