

COUNCIL OF LEGAL EDUCATION  
NORMAN MANLEY LAW SCHOOL

LEGAL EDUCATION CERTIFICATE  
SECOND YEAR EXAMINATIONS, 2014

LAW OFFICE MANAGEMENT, ACCOUNTING AND TECHNOLOGY

(THURSDAY, MAY 22, 2014)

**Instructions to Students**

- (a) Time: 3 ½ 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 and are provided.

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

## **PART A**

### **QUESTION 1**

Adrian, Foster and Bent is a small firm of attorneys-at-law to which you have recently been employed as an associate. The firm is relatively young, having been in existence for about two years. Its partners are very senior practitioners who were formerly employed in various private and public sector organizations for the better part of their years at the Bar.

As a consequence of their inexperience in the cut and thrust of private practice, combined with their long-held fear of breaching any rules prohibiting or restricting advertising in your jurisdiction, they do no marketing and have no form of marketing plan for the firm.

You have no similar inhibitions and are convinced that the firm is losing opportunities to provide services because it is “flying so much below the radar”.

Prepare a memorandum to the partners:

- (i) making a case for the establishment and implementation of a marketing plan for the firm; and
  - (ii) suggesting marketing tools which may be used to market its services while remaining in compliance with applicable laws and codes of ethics governing the legal profession in your jurisdiction.
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## **QUESTION 2**

You are a recent graduate of the Norman Manley Law School and an associate at the law firm of O’Grady, Philpotts and Jones. You are one of three associates employed to the firm which has four partners.

On April 9, 2014, Lincoln Jamieson consulted another of the associates and gave instructions for the firm to act on his behalf in respect of a dispute concerning a loan which he has with his bank, The People’s Bank. The associate accepted the instructions and proceeded to write a letter to the bank concerning the matter.

The very day of the receipt of the letter by The People’s Bank, the senior partner, Bill O’Grady, received a call from the bank’s general counsel. The very angry general counsel wanted to know how it was that the firm had accepted instructions from Jamieson when the same firm had acted for the bank in relation to the perfection of security for the loan. An embarrassed Mr. O’Grady could only sputter an apology and indicate that the relationship with Jamieson would be terminated immediately.

A meeting of the attorneys in the firm has since been called to discuss the matter and you realize from the discussions that there are no proper systems within the firm to avoid this happening again. It has been agreed that one should be implemented and you have volunteered to write a memorandum outlining the desirable characteristics of a suitable system.

Write the memorandum.

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### **QUESTION 3**

Kenny is setting up office in the commercial district as a sole practitioner and needs advice on what he should take into account in procuring computer hardware and software for his law office. In particular he wants to know:

- (i) what types of software he can get to facilitate proper management of his practice and the ways in which it can do so;
  - (ii) any considerations he should bear in mind when choosing such software; and
  - (iii) the options he has in respect of appropriate computer hardware and any factors he should bear in mind in choosing any of them for his office.
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### **QUESTION 4**

You are setting up a law practice with three fellow graduates of the law school. You are all agreed that if the firm is going to be a commercial success it will be important, among other things, to implement effective revenue management within the firm.

Your proposed partners have asked that you undertake some preliminary work in respect of this issue which will provide the starting point for developing specific policies on revenue management for inclusion in the firm's manual.

Accordingly, you have been asked to prepare a summary of the key variables which will need to be targeted and controlled in the course of managing the firm's revenue, giving reasons for so targeting them and indicating the measures which should be taken in respect of each of them.

Prepare the summary.

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### **QUESTION 5**

Gordon is a young attorney-at-law and an associate at a medium-sized law firm in your jurisdiction. Unfortunately, his "dream job" with the firm has become somewhat of a nightmare and he is seriously contemplating opening up his own practice.

While Gordon would very much like to have self-contained offices in a well-appointed modern building, he has very limited resources. This is in part due to his relatively modest pay as an associate together with his being unable to resist buying his "dream car" very shortly after he started working, with the help of a large bank loan.

Fortunately, Gordon lives in a mortgage-free home which his uncle left to him in his Will. It is old and rambling and in a mixed neighbourhood - part residential and part commercial. Gordon has considered opening up an office at home but he also has a friend who is a land surveyor and who has offered to share office space with him. He is also considering an appropriate name for the practice.

Gordon has asked your advice as to the issues he should take into account in respect of both the issue of the location and the naming of his practice.

Advise Gordon.

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**PART B**  
**ACCOUNTING**

**QUESTION 6**

The Trial Balance as at March 31, 2014 for Salzburg Bathos is given below:

	\$m	\$m
Sales		995.00
Sales returns	5.00	
Stock	30.00	
Purchases	435.00	
Purchases returns		25.00
Insurance	18.00	
Bad debts	5.00	
Discount allowed	9.00	
Salaries	20.00	
Interest expense	14.00	
Carriage outwards	3.00	
Rent	12.00	
Utilities	0.90	
Stationery	1.00	
Printing	1.10	
Salesmen commission	9.00	
Professional fees	20.00	
Land	500.00	
Buildings	520.00	
Plant and Machinery	220.00	
Furniture and Fixtures	450.00	
Motor Vehicles	70.00	
Trade debtors	95.00	

	\$m	\$m
Short-term deposits	98.00	
Cash at bank	74.00	
Cash in hand	1.00	
Drawings	4.00	
Trade creditors		60.00
Long term debt		150.00
Capital		930.00
Interest income		12.00
Discount received		3.00
Rental income		4.00
Bad debt recovered		8.00
Provision for depreciation:		
Buildings		120.00
Plant and Machinery		88.00
Furniture and Fixtures		180.00
Motor Vehicles		28.00
Provision for bad debt	<u>          </u>	<u>12.00</u>
	<u><b>2,615.00</b></u>	<u><b>2,615.00</b></u>

- (i) The stock at March 31, 2014 is valued at \$38.00m.
- (ii) Insurance prepaid at the end of the financial year amounted to \$4.00m.
- (iii) The provision for bad debts is estimated to be 10% of the trade debtors at the end of the year.
- (iv) The contract relating to the long-term debt states that \$15.00m is to be repaid on June 30, 2014.
- (v) The estimated life of the following assets are given below:
  - Buildings                      40 years
  - Plant and Machinery      5 years





**Drawings:**

Fraser	\$12.00m
Walker	\$11.00m
Smith	\$14.00m

Interest on drawings is 15% per annum.

The partners share profits and losses equally.

The partners' salaries for the year ended April 30, 2014, are given below:

Fraser	\$5.50m
Walker	\$4.50m
Smith	\$5.00m

The current account balances for the partners at May 1, 2013, are as follows:

Fraser	\$16.00m (Debit)
Walker	\$20.00m (Debit)
Smith	\$25.00m (Credit)

Required:

- (i) Prepare the Profit and Loss Appropriation Account for the partnership of Fraser, Walker and Smith for the year ended April 30, 2014.
- (ii) Prepare the Current Account for the partners for the year ended April 30, 2014.
- (iii) Why would a partnership agree to charge interest on the drawings of the partners?

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**QUESTION 8**

Diamante Osberg operates a business, Oslow Limited, on the island of St. Maria. The business sells electrical appliances. Rapid expansion has created the need for careful planning of cash requirements to ensure that the chain is able to replenish stock adequately and meet payment schedules to creditors. Diamante Osberg, founder of the business, has established a banking relationship that provides a \$200,000 line of credit to the business. The bank requires that a

minimum balance of \$8,200 be kept in the business's current account at the end of each month. When the balance goes below \$8,200, the bank automatically extends the line of credit in multiples of \$1,000 so that the chequing account balance is at least \$8,200 at month end.

Diamante Osberg attempts to borrow as little as possible and repays the loans quickly in multiples of \$1,000 plus 2 percent monthly interest on the entire loan balance. Interest payments and any principal payments are paid at the end of the month following the loan. The chain currently has no outstanding loans.

The following cash receipts and disbursements data will impact the fourth quarter of the current calendar year:

Estimated opening cash balance	\$8,800
Estimated cash sales:	
October	\$14,000
November	\$29,000
December	\$44,000
Sales on account:	
July	\$130,000
August	\$104,000
September	\$128,000
October	\$135,000
November	\$142,000
December	\$188,000

Projected cash collection of sales on account is estimated to be 70 percent in the month following the sale, 20 percent in the second month following the sale, and 6 percent in the third month following the sale. The 4 percent beyond the third month following the sale is determined to be uncollectible. In addition, the business is scheduled to receive \$13,000 cash on a note receivable in October.

All inventory purchases are made on account as the business has excellent credit with all vendors because of a strong payment history. The following information regarding inventory purchases is available:

<u>Inventory purchases</u>	
September	\$120,000
October	\$112,000
November	\$128,000
December	\$ 95,000

Cash disbursements for inventory are made in the month following purchase using an average cash discount of 3 percent for timely payment. Monthly cash disbursements for operating expenses during October, November and December are estimated to be \$38,000, \$41,000 and \$46,000 respectively.

Required:

- (i) Prepare the cash budget for Oslow Limited for the quarter ending December 31, 2014.
  - (ii) Define budgeting and explain its role in the management cycle.
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## **QUESTION 9**

Regent Limited conducts its banking business with Regional Commercial Bank. The bank captures the transactions in its cash book for the month of March 2014. The bank transactions which are recorded by Regent Limited are reflected below:

**Bank a/c**

		<b>Dr</b>			<b>Cr</b>
<b>2014</b>		\$	<b>2014</b>		\$
March 1	Bal b/d	95,000	March 7	Purchases a/c	12,000
March 5	Sales a/c	63,000	March 9	Rent a/c	70,000
March 9	Dividend income a/c	35,000	March 12	Purchases a/c	15,000
March 12	Sales a/c	78,000	March 13	PQR Limited a/c	35,000
March 14	Sales a/c	75,000	March 15	Pie Limited a/c	48,000
March 16	Sales a/c	89,000	March 17	AR Limited a/c	25,000
March 19	Rental income a/c	95,000	March 21	Purchases a/c	16,000
March 23	Sales a/c	96,000	March 25	Purchases a/c	70,000
March 25	Sales a/c	99,000	March 28	Pie Limited a/c	60,000
March 27	Sales a/c	93,000	March 30	STC Limited a/c	49,000
March 31	Sales a/c	<u>82,000</u>	March 31	Bal c/d	<u>500,000</u>
		<b><u>900,000</u></b>			<b><u>900,000</u></b>
April 1	Bal b/d	500,000			

The content of the statement from Regional Commercial Bank is given below:

**Regional Commercial Bank**

	<b>DR</b>	<b>CR</b>	<b>Balance</b>
	\$	\$	\$
March 1			95,000
March 5		63,000	158,000
March 7	12,000		146,000
March 9		35,000	181,000
March 9	70,000		111,000
March 12		78,000	189,000
March 12	15,000		174,000

	<b>DR</b>	<b>CR</b>	<b>Balance</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
March 13	35,000		139,000
March 14		75,000	214,000
March 15	48,000		166,000
March 16		89,000	255,000
March 17	25,000		230,000
March 19		95,000	325,000
March 21	16,000		309,000
March 23		96,000	405,000
March 25		99,000	504,000
March 25	70,000		434,000
March 27		93,000	527,000
March 28		100,000	627,000
March 30	52,000		575,000
March 31	10,000		565,000

The credit transaction recorded on the statement on March 28 was from a credit customer M. Martin.

The debit transaction recorded on the statement on March 30 was with respect to charitable subscriptions.

The debit transaction recorded on the statement on March 31 was with respect to bank charges.

Required:

- (i) Prepare an updated bank account at March 31, 2014
- (ii) Prepare the Bank Reconciliation Statement as at March 31, 2014

- (iii) Write short notes on the following:
- (a) unpresented cheques
  - (b) dishonoured cheques
- (iv) What is the purpose of a bank reconciliation?

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**END OF PAPER**