

COUNCIL OF LEGAL EDUCATION
NORMAN MANLEY LAW SCHOOL

LEGAL EDUCATION CERTIFICATE
SECOND YEAR EXAMINATIONS, 2015

LAW OFFICE MANAGEMENT, ACCOUNTING AND TECHNOLOGY

(THURSDAY, MAY 21, 2015)

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.

PLEASE REMAIN SEATED UNTIL YOUR SCRIPT HAS BEEN COLLECTED.

PART A

QUESTION 1

The firm of Bennett, Phillips and McDonald, Attorneys-at-law, is moving office. They are in fact moving to more spacious, upscale accommodation at a new commercial building in your jurisdiction.

Jenny Phillips, the managing partner, is contemplating the use of the space available to them at the new location. One of the issues on her mind is that of how to make the physical office layout conducive to preserving secrecy in respect of client information.

In addition, the firm is contemplating rebranding itself with a new name. Each of the partners has his or her own idea of what the name should be and everyone is looking to Jenny to guide the discussion and the ultimate decision as to the new name.

Advise Jenny on:

- (i) the approaches she should consider in respect of the physical layout of the new office space which would assist the firm in fulfilling their duty of confidentiality; and
 - (ii) the factors that should be borne in mind by the firm in choosing a new name.
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QUESTION 2

Olivia is an attorney-at-law and the newly appointed managing partner in a medium-sized, but rapidly growing, law firm. The firm practises in several areas of law. Amongst other things, Olivia is reviewing the file management within the firm and in particular the approach that the

firm should take in respect of the organization of documents, in and the storage of, client files, including both active and closed files.

Advise Olivia on:

- (i) the general rules which should be followed in respect of these matters; and
 - (ii) any factors or issues she should take into account in determining a suitable approach for her firm in respect of these matters.
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QUESTION 3

Keith Jervis, Attorney-at-law, has had a fairly frustrating day at the office.

One gentleman, a Mr. Henry Grant, came in to speak to Keith about what he thought was a conveyancing matter. Shortly into the interview, however, he realized that although land was indeed involved, the matter essentially concerned a nasty divorce. As he does not practice family law he has declined to represent Mr. Grant and has told him so.

Then there was the matter with Mrs. Hazel Johnson. She had retained him in respect of a motor vehicle accident in which she was involved as she has been sued by the other driver. In fact, the retainer letter had already been signed by her and returned to his office. Now it turns out that the other driver's insurance company is not Safe Drivers Insurance Company, as he had been instructed, but Safety First Insurance Company from which he has a general retainer. He cannot therefore act for Mrs. Johnson and has indicated as much to her.

Advise Keith as to the type of formal communication which he should send to Mr. Grant and Mrs. Johnson in the circumstances, outlining the recommended content of each.

QUESTION 4

The bar association in your jurisdiction is planning to hold a continuing legal education seminar later in the year. The senior partner of your firm, who is the president of the association, wants the firm to make a contribution to the seminar.

As the youngest associate, you have been deemed to be the most familiar with technology generally and therefore suitably skilled to make a presentation on:

- (i) the benefits of the use of technology in law offices; and
- (ii) the considerations which should be taken into account when contemplating the computing devices to be acquired for a law practice.

Prepare a detailed outline of the presentation.

QUESTION 5

Marc is a recently admitted attorney-at-law in your jurisdiction and is looking to start practice as a sole practitioner.

A friend of his, James, who has his degree in management, has been nagging him about preparing a business plan for his proposed practice. Marc has not been receptive, considering his friend's "obsession" with business plans to be the product of indoctrination by the so-called management gurus who were his professors at university and "grad school". As far as Marc is concerned, law is a profession and not a business. In addition he has many courtesy aunts and uncles who, to his knowledge, started and maintained successful practices without preparing any such plan.

If you had the opportunity to speak to Marc:

- (i) what would you say to persuade him of the merits of having a business plan prepared;
and
 - (ii) what would you recommend that he include in his plan?
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PART B
ACCOUNTING

QUESTION 6

The following Trial Balance is presented for Thant Hagley at March 31, 2015:

	\$mn	\$mn
Opening stock	6.00	
Purchases	325.00	
Carriage in	14.00	
Purchases returns		4.00
Sales		997.00
Sales returns	7.00	
Rental income		12.00
Discount received		1.80
Investment income		4.20
Commission received		22.00
Discount allowed	4.00	
Miscellaneous expenses	12.00	
Wages and salaries	25.00	
Insurance	15.00	
Repairs	0.50	
Rental expense	7.00	
Interest expense	2.00	
Bad debts	7.00	
Stationery	4.00	
Printing expenses	3.30	
Professional fees	20.00	
Drawings	23.00	

Buildings	700.00	
Equipment	205.00	
Motor vehicles	390.00	
Trade receivables	65.00	
Short term investments	25.00	
Cash at bank	25.00	
Cash in hand	0.20	
Provision for bad debt		9.00
Capital		595.00
Provision for depreciation:		
Buildings		70.00
Equipment		2.00
Motor vehicles		36.00
Long term loan		50.00
Trade payables		2.00
	1,885.00	1,885.00

The following additional information was also available at March 31, 2015.

- (i) The stock at March 31, 2015 is valued at \$5.00mn.
- (ii) During the year the proprietor withdrew goods valued at \$11.00mn from the business for his personal use.
- (iii) The following sums are unpaid at March 31, 2015:

Wages and salaries	\$4.00mn
Rental expenses	\$2.00mn
- (iv) The professional fees amounting to \$5.00m were prepaid at March 31, 2015.
- (v) Thant Hagley has estimated that his provision for bad debts will be 10% of trade receivables as at March 31, 2015.

(vi) The following estimates relate to the life of the assets listed below. The business uses the straight line method of depreciation:

Buildings	40 years
Equipment	5 years
Motor vehicles	5 years

(vii) The \$12.00mn of the outstanding long term loan balance is scheduled to be repaid in March 2015. The payment following that is expected to be made in March 2016.

Required:

- (i) Prepare the Statement of Comprehensive Income for Thant Hagley for the year ended March 31, 2015.
- (ii) Prepare the Statement of Financial Position for Thant Hagley as at March 31, 2015.

QUESTION 7

The Cash Book of Etna Limited for the month of July is given below:

		Dr			Cr
2014		\$mn	2014		\$mn
July 1	Bal b/d	8.00	July 6	Salaries a/c	5.00
July 8	Sales a/c	25.00	July 7	Repairs a/c	0.20
July 9	Rental income a/c	6.00	July 8	Insurance a/c	1.80
July 15	Sales a/c	19.00	July 10	Wages a/c	2.00
July 22	Sales a/c	14.00	July 16	Audit fees a/c	1.70
July 29	Sales a/c	65.00	July 23	Legal fees a/c	1.30
July 30	Dividend income a/c	30.00	July 31	Wages a/c	6.00
July 31	Sales a/c	<u>9.00</u>	July 31	Bal c/d	<u>158.00</u>
		<u>176.00</u>			<u>176.00</u>
July 31	Bal b/d	158.00			

Consortium Commercial Bank

	DR	CR	Balance
	\$mn	\$mn	\$mn
July 1			8.00
July 6	5.00		3.00
July 7	0.20		2.80
July 8	1.80		1.00
July 8		25.00	26.00
July 9		6.00	32.00
July 10	2.00		30.00
July 15		19.00	49.00
July 16	1.70		47.30
July 23	1.30		46.00
July 30	7.00		39.00
July 31	1.00		38.00

The sum debited on the Bank Statement of Etna 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 Etna Limited at July 31, 2014.
- (ii) Prepare the Bank Reconciliation Statement for Etna Limited at July 31, 2014.
- (iii) What are some of the reasons for the differences between the Cash Book and the Bank Statement balances at the end of the month?

QUESTION 8

The records of the partnership of Robotham, McGregor and Phillips revealed the following information for the year ended April 30, 2015:

QUESTION 9

Friendly Freddie is an independently owned major appliance and electronics discount chain with seven stores located in Banbridge. 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. Fred Ferguson, founder of the chain, has established a banking relationship that provides a \$200,000 line of credit to Friendly Freddie. The bank requires that a minimum balance of \$8,200 be kept in the chain's chequing 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.

Friendly Freddie's attempts to borrow as little as possible and repays the loans quickly in multiples of \$1,000 plus 2% 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 apply to the calendar year 2015:

Estimated beginning 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% in the month following the sale, 20% in the second month following the sale and 6% in the third month following the sale. The remaining 4% beyond the third month following the sale is determined to be uncollectable. In addition, the chain is scheduled to receive \$13,000 cash on a note receivable in October.

All inventory purchases are made on account as the chain 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% 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 Friendly Freddie's cash budget for the quarter ending December 31, 2015.
- (ii) Define budgeting and explain its role in the management cycle.

END OF QUESTION PAPER