

**COUNCIL OF LEGAL EDUCATION
NORMAN MANLEY LAW SCHOOL**

**LEGAL EDUCATION CERTIFICATE
SECOND YEAR EXAMINATIONS, MAY 2021**

LAW OFFICE MANAGEMENT ACCOUNTING AND TECHNOLOGY

THURSDAY, MAY 27, 2021

Instructions to Students

- (a) Duration: **24 hours**
- (b) Students shall enter their Examination ID Number **only**, **not their names**, on the cover page, the Academic Integrity Statement and on every separate page of the examination script.
- (c) The examination should be answered on letter-sized (8.5 x 11) paper only.
- (d) The examination should be submitted in Arial font 12 line spacing 1.5.
- (e) Students should clearly indicate the names of any cases with the citation and legislative provision/s (section number and Act) on which they rely to support their arguments. Consider using italics and/or bold text to make references prominent. (For example, *Rylands v Fletcher* [1868] UK HL1; **s.69 Real Property Act**). Sufficient detail is required to allow the examiners to understand the source of law that is being cited.
- (f) Footnotes, endnotes and bibliography are not to be used.
- (g) Where word limits have been given, the actual word counts must be included at the end of your answer. Students who have exceeded the word limits will be penalised.
- (h) Students shall number the pages of their examination script as follows: Page 1 of 12, Page 2 of 12, etc.
- (i) In answering the question, a candidate may reply in accordance with the law of a Commonwealth Caribbean territory zoned for this school, **but must state at the beginning of the answer the name of the relevant territory.**
- (j) Each Student **must** ensure that their Anonymous ID in TWEN is changed to their four digit Examination ID Number, prior to submitting their examination script.

- (k) The examination script, with the cover page and Academic Integrity Statement saved in **ONE PDF DOCUMENT**, must be submitted in **ELECTRONIC** format via the **Year II MAY 2021 EXAMINATIONS, LAW OFFICE MANAGEMENT ACCOUNTING AND TECHNOLOGY DROP BOX on TWEN** by **Friday, May 28, 2021 NOT LATER THAN** 9:00 a.m. (Jamaica) 8:00 a.m. (Belize) and 10:00 a.m. (Eastern Caribbean).
- (l) To upload the examination script which has been saved as one pdf document which includes the cover page and Academic Integrity Statement, you must follow these steps:
- Go to ***www.lawschool.westlaw.com***.
 - Log in using your username and password credentials and select the **TWEN** button.
 - Click on the link for **“Assignments and Quizzes”** located on the left-hand side of the navigation screen.
 - Select the relevant examination and the examination drop box as follows:
 - Year II students with Examination ID numbers between 2100-2177 must upload script, cover page and Academic Integrity Statement to folder titled **“Drop Box A Year II - 2100-2177”**.
 - Year II students with Examination ID numbers between 2179-2252 must upload script, cover page and Academic Integrity Statement to folder titled **“Drop Box B Year II - 2179-2252”**.
 - Year II students with Examination ID numbers between 2253-2326 must upload script, cover page and Academic Integrity Statement to folder titled **“Drop Box C Year II - 2253-2326”**.

START EACH QUESTION ON A SEPARATE PAGE

John Lucky and Peter Bright are attorneys-at-law who practise in partnership under the name Lucky & Bright. The firm has been in operation for approximately five years and has offices at 40 Water Street in the capital.

Question 1

The financial year for the partnership runs from April 1 to March 31.

The firm’s accountant has provided the following cashflow projections for the twelve (12) month period ending March 31, 2022:

Planned Cash Inflows

| | FY 2021-2022 |
|------------------------------|--------------|
| | \$ |
| Fee Income | 15,600,000 |
| Other Income | 6,000,000 |
| Rental Income | 2,400,000 |
| Additional Capital injection | |
| John Lucky | 2,700,000 |
| Peter Bright | 2,100,000 |
| Investment Income | 600,000 |

Planned Expenditure & Estimated charges

| | |
|-----------------------------------|-----------|
| Purchase of Non-Current Assets | |
| Motor Van | 4,600,000 |
| Office Furniture | 700,000 |
| Office Equipment | 800,000 |
| Library materials | 300,000 |
| Expenses | |
| Stationery | 1,320,000 |
| Utilities | 1,680,000 |
| Overheads | 1,440,000 |
| Training costs | 1,800,000 |
| Rental of premises | 1,464,000 |
| Salaries & payroll emoluments | 8,640,000 |
| Depreciation Charges | 1,530,000 |
| Other Payments | |
| Payroll Taxes | 2,592,000 |
| Investment with JKL Merchant Bank | 750,000 |
| Software Fees | 1,152,000 |

Using the projected numbers in the annual budget, the partners have requested a cashflow budget for the first three (3) months of the year, taking into consideration the following timelines.

1. The partners deposited the capital injection as follows:
 - John Lucky in 2 equal instalments in the months of May and June.
 - Peter Bright in 3 equal instalments starting in the month of April.
2. Fifty percent of the total other income will be received in the first three (3) months in equal instalments.
3. Fee Income is expected to be received in equal instalments.

4. Rental income is expected to be paid on the first day of each month in equal instalments.
5. Twenty percent (20%) of the total investment income will be received in the third (3rd) month of the budget period.
6. The motor van and furniture acquisitions are expected to be made in May. A fifty percent (50%) deposit is to be paid in May and the remaining balance, the month following.
7. The office equipment and library materials will be purchased for cash in the month of April.
8. All expenses accrue evenly over the twelve (12) month period and will be paid as incurred.
9. The payroll taxes are to be paid in the month following the month salaries are paid.
10. The planned investment of \$750,000 will be made in May.
11. Although not noted in the projections above, a legal retainer of \$200,000 is due to be paid in June to the law firm of Brown, Smith & Joseph.
12. The cash balance on April 1, 2021 was \$113,000.

Required:

- a) Prepare a Cash Budget for the 3-month period April to June 2021 showing the balance at each month end.
- b) What is the purpose of budgeting?
(Your answer should not exceed **300 WORDS**)

Question 2

The item in the budget prepared for Lucky & Bright that has been identified as “software fees” includes the cost of anti-virus software being purchased by Lucky & Bright with a view to protecting client information on their computer systems from hackers.

Apart from this, the partners have not been thoughtful and deliberate in the approach taken to preventing breaches of confidentiality that might result from the use of technology in the firm or otherwise.

Required:

Assume that you are an associate employed to Lucky & Bright. Prepare a memorandum to the partners outlining the steps the partnership should take, both in connection with the

use of technology in the law practice, as well as general office procedure and personal conduct of staff, in order to mitigate against this risk.

The body of the memorandum should not exceed **900 words**.

Question 3

The legal retainer due to be paid to Brown, Smith & Joseph and mentioned at Item 11 in Question 1 above, relates to a claim made by one Henry Fairweather against Lucky & Bright for negligence and breach of contract.

Henry Fairweather attended on the offices of the firm one day some two years ago. When he had made the appointment to see one of the attorneys-at-law, the instructions were that he had a claim for breach of contract against a company with whom he had done business several years before. He had become unwell from the stress of the situation as it had brought him to the brink of financial ruin. His recovery had taken a long time, and he was very late in pursuing the matter against the company, but was finally ready to do so.

Despite the firm's policy in this regard, no conflict check was performed upon the initial contact made with the firm by Mr. Fairweather. It was, therefore, at the interview with Ms. Linda Levy, the attorney-at-law in question, that it was discovered that there was a conflict of interest. It arose from representation by the firm of the said company, Linton & Wool Limited, in another matter and Ms. Levy told Mr. Fairweather that the firm was unable to represent him.

At the start of the interview, Mr. Fairweather had handed to Ms. Levy copies of various letters and emails as well as a document which he described as the contract between himself and the company. The documents were returned, unread, to Mr. Fairweather when it became clear, early in the interview, that the firm could not represent him.

Some months later, Mr. Fairweather filed the claim for negligence and breach of contract against the firm. He alleged that, as his attorneys-at-law, they had failed to take steps in his matter, which had subsequently become statute-barred.

Required:

- (a) Prepare a draft of the letter that should have been sent to Mr. Fairweather by the firm to discourage the action taken by him against it.
- (b) Assume that the conflict of interest giving rise to the need for the firm to withdraw arose after the firm had signed a letter of engagement with Mr. Fairweather, collected a sum of money on account of fees and begun their representation of him. Explain the ways in which the content of the letter that should have been written to Mr. Fairweather in those circumstances would be different.

The body of your letter at (a) and the explanation at (b) should not exceed **300 words each**.

Question 4

The accountant presented to the partnership, the profit and loss statement showing a net profit of \$884,000 for the year ended March 31, 2021. The partnership appropriation account was not yet done but the following balances were taken from the books:

1. Partnership salaries:
 - John Lucky - \$150,000
 - Peter Bright - \$120,000

2. Drawings taken at the stated dates and to be charged at the rate of 8% per annum:
 - John Lucky - \$120,000 - July 1, 2020
 - Peter Bright - \$108,000 - October 1, 2020

3. Interest on the capital balances at April 2021 to be paid at the rate of 10% per annum.
 - John Lucky - \$3,000,000
 - Peter Bright - \$2,400,000

4. Profits and losses to be shared in the following ratios:
 - John Lucky - 60%
 - Peter Bright - 40%

5. Current account balances:
 - John Lucky - \$25,000 (credit)
 - Peter Bright - \$15,000 (debit)

Required:

- (a) From the information above, prepare the firm's appropriation account and the partners' current account.

- (b) What do the debit and credit balances in the current accounts of John & Peter respectively at April 1, 2020 mean?

- (c) What is the purpose of charging interest on drawings of the partners?

Note:

(Your answers at (b) and (c) should not exceed **150 WORDS each**)

Question 5

The partners scheduled a management meeting to review the financial performance of

the firm for the year ended March 31, 2021.

The accountant, having received the bank statement for the month of March, noted that the balance shown of \$373,442 did not agree with the general ledger bank account.

**First Claim Bank
Bank Statement**

Partnership John Lucky and Peter Bright

| Date | Description | Debit | Credit | Balance |
|-------------|--------------------|--------------|---------------|----------------|
| 2020 | | | | |
| July 1 | Balance b/f | | | 288,000 |
| July 4 | Cheque 601 | 18,000 | | 270,000 |
| July 6 | Cheque 602 | 24,000 | | 246,000 |
| July 10 | Cheque 605 | 36,522 | | 209,478 |
| July 18 | Deposit | | 10,000 | 219,478 |
| July 19 | Deposit | | 14,000 | 233,478 |
| July 20 | Cheque 609 | 17,508 | | 215,970 |
| July 27 | Deposit | | 72,000 | 287,970 |
| July 28 | Direct Deposit | | 120,000 | 407,950 |
| July 29 | Bank Charges | 15,528 | | 392,442 |
| July 31 | Standing Order | 19,000 | | 373,442 |

**Ledger
Bank A/C**

| Date | Details | Amount | Date | Details | Cheque # | Amount |
|-------------|----------------|----------------|-------------|----------------|-----------------|----------------|
| July 2 | Balance b/f | 288,000 | July 1 | Juliet Lesley | 601 | 18,000 |
| July 18 | P. Nicholas | 10,000 | July 2 | Brandon Kirt | 602 | 24,000 |
| July 19 | N. Jones | 14,000 | July 10 | Book Store Ltd | 605 | 36,522 |
| July 26 | Cash | 22,000 | July 11 | Electricity | 609 | 17,508 |
| July 27 | L. Greene | 50,000 | July 20 | R. Francis | 610 | 127,000 |
| July 30 | P. Watson | 60,000 | July 25 | L. Lenard | 620 | 97,000 |
| July 30 | F. Smith | 80,000 | July 31 | Bal. c/d | | 203,970 |
| | | 524,000 | | | | 524,978 |
| August 1 | Balance b/f | 203,978 | | | | |

Required:

- (a) Identify the differences between the firm's ledger bank account and the bank statement, and update the ledger bank account accordingly.
- (b) Prepare a bank reconciliation statement as at March 31, 2021.

END OF PAPER