

COUNCIL OF LEGAL EDUCATION
NORMAN MANLEY LAW SCHOOL

LEGAL EDUCATION CERTIFICATE
SECOND YEAR EXAMINATIONS, 2016

LAW OFFICE MANAGEMENT, ACCOUNTING AND TECHNOLOGY

(THURSDAY, MAY 19, 2016)

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

Lennie is about to graduate from law school. He is trying to decide how he should start his legal career in your jurisdiction and is weighing two possible options.

The first option is to take a job as an associate with the small firm at which he did his in-service training. The second is to set up his own practice, in premises owned by his father.

There are other professionals in the building but he would have his own discrete office space. Lennie proposes to lease the space and his father is willing to let him have it at a nominal rent until he “finds his feet”.

Advise Lennie on:

- (i) the factors he should take into account in deciding whether employment with the firm or self-employment as a sole practitioner is the best option for him; and
 - (ii) the issues worthy of consideration by him in assessing the suitability of his father’s premises as the location of the practice, should he opt to go out on his own.
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QUESTION 2

Harry King, Attorney-at-Law, is a sole practitioner in your jurisdiction. You were recruited by him to assist with his probate and conveyancing practice.

Harry’s idea of file management is somewhat *ad hoc* and it is clear that you will have to implement some of what you have learned in your law office management course to bring some order to this aspect of the practice. There are several conveyancing and probate files in

which the sales are complete, or estates administered, as the case may be, but clients' documents are still on file and the files remain open.

In a suitably worded memorandum to Harry, outline:

- (i) the steps you would take to close the files in question; and
 - (ii) the content of any standard form(s) and/or letter(s) you would develop for use in this process.
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QUESTION 3

Joan Garner is an attorney-at-law and family friend who specialises in intellectual property law. She was kind enough to offer you a paid internship while you attended law school, and you have learnt much from working with her in her practice.

Ms. Garner's practice is well-established and utilizes all the technological aids available, including desktop and laptop computers, smart phones for herself and her staff, video-conferencing equipment, sophisticated printers, photocopiers and scanners, and fax machines. She also utilizes cloud computing services. Most of the correspondence with clients and third parties is done by email.

While this use of technology is undoubtedly to her great advantage, particularly as many of her clients are overseas, you have been very concerned about the risks associated with it and, in particular, the risk of a leak of confidential client information.

Prepare a suitable memorandum to Ms. Garner expressing your concern and suggesting steps which she should take to mitigate the risk of such a leak.

The following facts apply to both Questions 4 and 5:

You are employed to Jones, Brett and Keene, a small firm in your jurisdiction that is “keeping its head above water” financially, but is striving to improve on that position so that the partners can make more profits and their employees, including you, can be better paid. Melvin Jones is the firm’s managing partner.

Question 4

The partners believe that they will only be able to do this by expanding the existing client base by attracting new clients to the firm or by attracting more work from their existing clients. You have been asked to think about the matter and to send a memorandum to the managing partner with your suggestions as to suitable approaches that the firm may consider taking to achieve this objective, pointing out any factors which should be taken into account in determining the approaches best suited to the firm.

Prepare the memorandum.

Question 5

You are of the view that a significant improvement would result from better revenue management in the firm, including better billing and collection practices, and the use of time-recording by fee earners within the firm.

Prepare a memorandum to the managing partner setting out your recommendations in this regard and giving reasons for those recommendations.

PART B

ACCOUNTING

QUESTION 6

The following trial balance was prepared for A. Selby at December 31, 2015:

	\$	\$
Opening stock	750,000	
Purchases	3,750,000	
Carriage in	25,000	
Sales returns	150,000	
Insurance	100,000	
Rent	150,000	
Miscellaneous expenses	7,500	
Stationery	92,500	
Plant & machinery at cost	1,750,000	
Buildings	3,000,000	
Equipment	4,000,000	
Fixtures & fittings	2,500,000	
Motor vehicles	1,500,000	
Accounts receivable	4,500,000	
Short-term investments	4,625,000	
Cash at bank	5,000	
Cash in hand	1,000	
Drawings	37,500	
Utilities	75,000	
Salaries	250,000	
Carriage out	4,000	
Discount allowed	2,500	
Provision for bad debts		500,000

Provision for depreciation (Plant & machinery)	700,000
Provision for depreciation (Buildings)	100,000
Provision for depreciation (Equipment)	1,600,000
Provision for depreciation (Fixtures and fittings)	1,000,000
Provision for depreciation (Motor vehicles)	600,000
Sales	13,500,000
Purchases returns	50,000
Capital	4,675,000
Discount received	50,000
Bad debt recovered	500,000
Accounts Payable	<u>4,000,000</u>
	<u>27,275,000</u>
	<u>27,275,000</u>

The following items are to be accounted for:

- (i) Stock at December 31, 2015 is valued at \$750,000.
- (ii) Provision for bad debts is expected to be 10% of Accounts Receivable.
- (iii) The company uses the straight line method for depreciation and the following rates are applicable:

Plant and Machinery	20%
Buildings	3%
Equipment	20%
Fixtures and Fittings	20%
Motor Vehicles	20%
- (iv) The proprietor withdrew goods valued at \$75,000 for his personal use.
- (v) The following amounts are owing at December 31, 2015:

Utilities	\$ 6,250
Rent	\$12,000
- (vi) Insurance amounting to \$10,000 has been prepaid at December 31, 2015.

Required:

- a) Prepare the Statement of Comprehensive Income for the year ended December 31, 2015.
 - b) Prepare the Statement of Financial Position as at December 31, 2015.
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Question 7

Morrison and Williams operate a supermarket. The following information relates to the partnership for the year ended December 31, 2015:

Capital (Morrison)	\$ 4,000,000
Capital (Williams)	4,500,000
Partnership Salaries:	
Morrison	150,000
Williams	200,000
Drawings:	
Morrison	125,000 (July 1, 2015)
Williams	325,000 (October 1, 2015)

Interest on Drawings 10% per annum

Interest on Capital 8% per annum

Profit and loss are to be shared equally between the partners.

The firm's net profit for the year was \$9,137,500.

Current Account balances at January 1, 2015:

Morrison	\$425,000 (Debit)
Williams	\$310,000 (Credit)

Morrison and Williams made drawings on July 1, 2015 and October 1, 2015 respectively.

Required:

- (i) Prepare the Profit and Loss appropriation account for the year ended December 31, 2015.

 - (ii) Prepare the Current Account balances of Morrison and Williams at December 31, 2015.
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QUESTION 8

The bank columns in the cash book for February 2016 and the bank statement for that month for B. Auden are as follows:

2016	Dr.	\$	2016	Cr.	\$
Feb 1	Bal b/d	11,895	Feb 5	D. Blake	750
Feb 7	B. Green	790	Feb 12	J. Gray	2,165
Feb 16	A. Silver	465	Feb 16	B. Stephens	440
Feb 27	M. Brown	1,535	Feb 28	Orange Club	285
Feb 28	K. Black	<u>3,120</u>	Feb 28	Bal c/d	<u>14,165</u>
		<u>17,805</u>			<u>17,805</u>
Mar 1	Bal b/d	14,165			

Bank Statement

2016		Dr	Cr	Balance
		\$	\$	\$
Feb 1	Bal b/d			11,895
Feb 7	Cheque		790	12,685
Feb 8	D. Blake	750		11,935
Feb 16	Cheque		465	12,400
Feb 17	J. Gray	2,165		10,235
Feb 18	B. Stephens	440		9,795
Feb 27	Cheque		1,535	11,330
Feb 28	Standing Order	220		11,110
Feb 28	Johnson's traders credit		450	11,560
Feb 28	Bank charges	350		11,210

The standing order reflected on the Bank Statement on February 28, 2016 relates to the payment of insurance premiums.

Required:

- (i) Update the cash book.
- (ii) Prepare the Bank Reconciliation as at February 28, 2016.
- (iii) What is the purpose of the bank reconciliation statement?

Question 9

Oakshore Limited has employed Bianca Ashcroft who has just graduated from National 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, 2016. The following items are to be used to inform the preparation of the budget:

- (i) The following sales represent forecasted sales:

	\$
July	3,000,000
August	4,000,000
September	6,000,000

The company has the policy of allowing 90% of its sales as credit sales. The customers pay 1 month after the sale. Ten percent (10%) of the sales represents cash sales.

- (ii) 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	1,800,000
August	2,400,000
September	3,600,000

- (iii) Monthly overheads of \$400,000 are incurred. Included in this figure is depreciation of \$80,000. Overheads are paid on a monthly basis.

- (iv) The directors have agreed to inject capital of \$26,000,000 in August.

- (v) The company has decided to pay dividends of \$1,000,000 to its shareholders in September.

- (vi) As a part of the company's policy of fiscal prudence, the company has decided to invest \$13,000,000 in government paper in September.
- (vii) Monthly salaries of \$500,000 are paid when incurred.
- (viii) The company expects to receive dividends of \$3,000,000 from Oakton Holdings Limited in July.
- (ix) The company purchased computer equipment in August costing \$600,000. Fifty percent (50%) of the cost is to be paid immediately and the remainder one month later.
- (x) Company profit tax of \$2,400,000 is to be paid in September.
- (xi) The company plans to repay the balance on its loan with Federated Commercial Bank. The outstanding principal is \$5,000,000 and the interest accruing is \$100,000. It is expected that principal and interest will be repaid in August.
- (xii) The balance of cash on July 1, 2016 is expected to be \$2,400,000.

Required:

Prepare a cash budget for the quarter ending September 30, 2016.

END OF QUESTION PAPER