

COUNCIL OF LEGAL EDUCATION
NORMAN MANLEY LAW SCHOOL

LEGAL EDUCATION CERTIFICATE
SECOND YEAR SUPPLEMENTARY EXAMINATIONS, 2017

LAW OFFICE MANAGEMENT, ACCOUNTING AND TECHNOLOGY

(AUGUST 00 ,2017)

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. Erasable pens are not allowed.
- (g) Calculators may be used and are provided.

PLEASE REMAIN SEATED UNTIL YOUR SCRIPT HAS BEEN COLLECTED.

PART A
LAW OFFICE MANAGEMENT AND TECHNOLOGY

QUESTION 1

Hugo Stanton, a highly respected attorney-at-law, conducts a sole practice in the areas of conveyancing and commercial law. You are fortunate enough to have a position as his associate, and readily admit that you are learning much from him in respect of these areas of practice.

On Wednesday last, a lady by the name of Evelyn Barnes, attended on Mr Stanton for a consultation concerning what she had described to Mr Stanton's secretary as a "land matter". During the course of the consultation, however, it became clear that the "land matter" did not involve conveyancing alone, but was connected to an ongoing matrimonial dispute. This took it outside of the areas in which Mr Stanton practised. Ms Barnes was duly advised of this by Mr Stanton, who indicated that he would not, in the circumstances, accept a retainer from her. He also returned to her the papers which she had shown him during the interview.

Mr Stanton wishes to send an appropriate letter to Ms Barnes, given what transpired.

On Thursday of the same week, the retainer by George Fisher, one of Mr Stanton's newer clients, was terminated by mutual agreement. The matter concerned the negotiation of a supply contract. Mr Fisher, a very difficult man, took issue with Mr Stanton not following his instructions in respect of the precise language to be used in the relevant agreement. Additionally, he has refused to take Mr Stanton's advice on the illegality of certain terms he was insisting on including. Eventually both men had agreed that it was best that Mr Fisher be represented by someone else. Mr Stanton also wishes to send an appropriate letter to Mr Fisher with reference to the termination of the retainer.

- (i) Outline the contents of the letter to be written to Evelyn Barnes.
- (ii) Outline the contents of the letter to be written to George Fisher.

QUESTION 2

Greg Powell, Felicity Campbell and Helen Jacobs are attorneys-at-law who have decided to practise in partnership with each other. They have the good fortune of being able to afford to rent office space in a brand new building in a suitable area. The building is so new that the developers are willing to work with them to design the office space just as they want it, except for the kitchenette area which must be placed towards the back because of the location of the plumbing. The restrooms for the whole floor are located near the elevator in a common area outside of the proposed office area.

Given the ethical duty of confidentiality with respect to client information which they are bound to fulfil, they are keen to so design the office space that it supports compliance with the duty.

Mindful of stories like the one concerning the Panama Papers, they are also looking to establish a policy regarding the use of technology in the practice which pays due regard to the issue of confidentiality. It is their intention to make use of all available technology solutions for law offices in their practice.

Having regard to their concern in respect of the duty of confidentiality, advise Greg, Felicity and Helen on:

- (i) the issues to which they should have regard in planning the layout of the office space and furnishing it; and
- (ii) the rules that they should consider including in their technology policy.

QUESTION 3

Your friend, Roger, has recently been employed as an associate at a medium-sized law firm in your jurisdiction. The firm is very progressive and, consequently, Roger serves as the associate

representative on its human resource committee. In that capacity, he assists with the recruitment of administrative staff for the firm.

The immediate task of the committee is the staffing of a new office in another part of the jurisdiction.

Given the broad nature of the assignment, Roger wants you to remind him of the basic steps involved in personnel planning so that he can take a structured approach to the matter. He has therefore asked you to meet him for drinks and a meal at a local restaurant.

Prepare notes for your discussion with Roger on the relevant steps.

QUESTION 4

Joan and Kelly are opening their own law practice, in partnership, having both served as in-house counsel at different corporations.

As they make a plan for the operation of the practice, they are concerned about getting appropriate insurance to cover certain risks. In particular, they are focused on potential liability arising from claims made by employees, as well as visitors to their office, in the event of any injury they might suffer there.

Advise Joan and Kelly on:

- (i) the type(s) of insurance they need to procure to address their concerns and the events or liability generally covered by such insurance; and
- (ii) any typical limits to or exclusions from the cover provided by such insurance of which Joan and Kelly ought to be aware.

QUESTION 5

Patrice Watson is an attorney-at-law who practices exclusively in the area of conveyancing. She has been doing this very successfully for over 20 years.

Patrice's increasing awareness of the way in which criminals can use attorneys-at-law to launder their ill-gotten gains, and of her responsibility to prevent any would-be client from using her in this way, is making her very concerned. She wants to ensure this does not happen to her and, as a start, wants advice on the precautions she should take in accepting retainers from clients.

In addition, she has been looking carefully at her file opening process, and has formed the view that it needs to be more structured and systematic. She wants advice on a possible approach to take in respect of this matter also.

Advise Patrice in respect of both her concerns.

PART B
ACCOUNTING

QUESTION 6

The following Trial Balance was prepared for A Adage at April 30, 2017:

	\$	\$
Opening stock	1,500,000	
Purchases	7,500,000	
Sales return	300,000	
Carriage inwards	50,000	
Miscellaneous expenses	15,000	
Insurance	200,000	
Rent	300,000	
Stationery	185,000	
Plant and machinery at cost	3,500,000	
Motor vehicles	3,000,000	
Accounts receivable	9,000,000	
Short-term investments	9,250,000	
Cash at bank	10,000	
Cash in hand	2,000	
Drawings	75,000	
Fixtures and fittings	5,000,000	

Utilities	150,000	
Salaries	500,000	
Carriage out	8,000	
Discount allowed	5,000	
Provision for bad debts		1,000,000
Equipment	8,000,000	
Buildings	6,000,000	
Provision for depreciation:		
Plant and machinery		1,400,000
Buildings		200,000
Equipment		3,200,000
Fixtures and fittings		2,000,000
Motor Vehicles		1,200,000
Sales		27,000,000
Purchases return		100,000
Capital		9,350,000
Discount received		100,000
Bad debt recovered		1,000,000
Accounts payable		8,000,000
	<u>54,550,000</u>	<u>54,550,000</u>

The following items are to be accounted for:

- (a) Stock at April 30, 2017, is valued at \$1,500,000.
- (b) Provision for bad debts is expected to be 10% of Accounts receivable.
- (c) 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%
- (d) The proprietor withdrew goods valued at \$150,000 for his personal use.
- (e) The following sums are owing at April 30, 2017:

Utilities	\$12,500
Rent	\$24,000

Required:

- (i) Prepare the Statement of Comprehensive Income for the year ended April 30, 2017.
 - (ii) Prepare the Statement of Financial Position as at April 30, 2017.
-

QUESTION 7

Ball and Bell operate a gift shop on the Hip Strip in Hotel District. The following information relates to the partnership for the year ended June 30, 2016:

Capital:	
Ball	\$8,000,000
Bell	\$9,000,000

Partners' Salaries:

Ball \$ 300,000

Bell \$ 400,000

Drawings:

Ball \$ 250,000 (July 1, 2015)

Bell \$ 650,000 (July 1, 2015)

Interest on Drawings 10% per annum

Interest on Capital 8% per annum

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

The firm's net profit for the year was \$18,275,000.

Current Account balances as at July 1, 2015:

Ball \$850,000 (Debit)

Bell \$620,000 (Credit)

Ball and Bell both made drawings on July 1, 2015.

Required:

- (i) Prepare the Profit and Loss Appropriation Account for the year ended June 30, 2016.
- (ii) Prepare the Current Accounts of Ball and Bell at June 30, 2016.
- (iii) What is the rationale for charging interest on cash withdrawn from the partnership by the partners?

QUESTION 8

The bank columns in the cash book for February 2017 and the bank statement for that month for C. Cole are as follows:

2017	Debit		2017	Credit	
		\$			\$
Feb 1	Balance b/d	23,790	Feb 5	D. Blake	1,500
Feb 7	B. Green	1,580	Feb 12	J. Gray	4,330
Feb 16	A. Silver	930	Feb 16	B. Stephens	880
Feb 27	M. Brown	3,070	Feb 28	Orange Club	570
Feb 28	K. Black	<u>6,240</u>	Feb 28	Bal c/d	<u>28,330</u>
		<u>35,610</u>			<u>35,610</u>
Mar 1	Balance b/d	28,330			

Bank Statement

2017	Debit	Credit	
	\$	\$	\$
Feb 1	Balance b/d		23,790
Feb 7	Cheque	1,580	25,370
Feb 8	D. Blake	1,500	23,870
Feb 16	Cheque	930	24,800
Feb 17	J. Gray	4,330	20,470
Feb 18	B. Stephens	880	19,590
Feb 27	Cheque	3,070	22,660
Feb 28	Standing Order	440	22,220
Feb 28	Johnson's Trader's Credit	900	23,120
Feb 28	Bank Charges	700	22,420

The standing order reflected on the bank statement on February 28, 2017 relates to the payment of insurance premiums.

Required:

- (i) Update the Cash Book at February 28, 2017.
 - (ii) Prepare the Bank Reconciliation Statement as at February 28, 2017.
-

QUESTION 9

Affinity Limited has employed Astrid Herrera who has just graduated from Wharton 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, 2018. The following items are to be used to inform the preparation of the budget.

- (a) The following sales represent forecasted sales:

	\$
July	1,500,000
August	2,000,000
September	3,000,000

The company has the policy of allowing 90% of its sales as credit sales. The customers pay one month after the sale and 10% of the sales represents cash sales.

- (b) 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	900,000
August	1,200,000
September	1,800,000

- (c) Monthly overheads of \$200,000 are incurred, included in this figure is depreciation of \$40,000. Overheads are paid on a monthly basis.
- (d) The directors have agreed to inject capital of \$13,000,000 in August.
- (e) The company has decided to pay dividends of \$500,000 to its shareholders in September.
- (f) As a part of the company's policy of fiscal prudence, the company has decided to invest \$6,500,000 in government paper in September.
- (g) Monthly salaries of \$250,000 are paid when incurred.
- (h) The company expects to receive dividends of \$1,500,000 from Oakton Holdings Limited in July.
- (i) The company purchased computer equipment in August costing \$300,000, 50% of the cost is to be paid immediately and the remainder one month later.
- (j) Company profit tax of \$1,200,000 is to be paid in March, June, September and December.
- (k) The company plans to repay the balance on its loan with Federated Commercial Bank. The outstanding principal is \$2,500,000 and the interest accruing is \$50,000. It is expected that principal and interest will be repaid in August.
- (l) The balance of cash on July 1, 2018 is expected to be \$1,200,000.

Required:

- (i) Prepare a Cash Budget for the quarter ending September 30, 2018.
- (ii) Describe management's role in budget implementation.

END OF PAPER