

COUNCIL OF LEGAL EDUCATION
NORMAN MANLEY LAW SCHOOL

LEGAL EDUCATION CERTIFICATE
SECOND YEAR SUPPLEMENTARY EXAMINATIONS, 2019

LAW OFFICE MANAGEMENT, ACCOUNTING AND TECHNOLOGY

(AUGUST 00, 2019)

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, 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.**
- (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

Leena is about to graduate from law school. She is trying to decide how she should start her legal career in your jurisdiction and is weighing two possible options.

The first option is to take a job as an associate with the medium-sized firm at which she did her in-service training. The second is to set up her own practice, in premises owned by her mother.

There are other professionals in her mother's building but she would have her own discrete office space. Leena proposes to lease the space and her mother is willing to let her have it at a nominal rent until "she finds her feet".

Advise Leena on:

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

QUESTION 2

Imani is an attorney-at-law and the newly appointed managing partner in a small, but rapidly growing, law firm. The firm practises in several areas of law. Amongst other things, Imani is reviewing the file management system 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 Imani 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.

QUESTION 3

Jason Watt is a practitioner of six years who specializes in the area of civil litigation.

You have recently been employed by Jason, part-time, as a civil litigator, as he has recently found himself unable to manage the amount of work he has been getting, but cannot yet afford to hire anyone full-time.

Jason opened his law practice immediately after leaving law school and, since commencing, he has focused solely on doing the clients' work. As a consequence, the administrative side of the practice is somewhat loose.

In particular, you have noticed that he has not been reducing his retainers to writing in any consistent way and when he does, it is usually instigated by the client. Even then, the letter is exceedingly 'bare-boned', referring simply to the name of the client and the general nature of the matter. He has been lucky enough not to have had any problems so far as a consequence of this practice. You believe it is just a matter of time before he does, and that the use of an engagement letter is important.

Write a memorandum to Jason suggesting the consistent use of a well drafted engagement letter in his practice, giving justification for your suggestion and describing what such a letter should contain.

QUESTION 4

Jodie and Heidi are opening their own law practice, in partnership, having both served as in-house counsel at different companies.

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 Jodie and Heidi 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 generally.
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QUESTION 5

The bar association in your jurisdiction is planning to hold a continuing legal education seminar by year end. The managing partner of your firm, who is the president of the association, wants the firm to make a presentation to the seminar.

As the junior 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 draft of the presentation.

PART B
ACCOUNTING

QUESTION 6

The following trial balance was prepared for A. Allwood at April 30, 2019:

	\$	\$
Opening stock	1,500,000	
Purchases	7,500,000	
Carriage in	50,000	
Sales return	300,000	
Insurance	200,000	
Rent	300,000	
Miscellaneous expenses	15,000	
Stationery	185,00	
Plant and machinery at cost	3,500,000	
Building	6,000,000	
Equipment	8,000,000	
Fixtures and fittings	5,000,000	
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	
Utilities	150,000	
Salaries	500,000	
Carriage out	8,000	
Discount allowed	5,000	
Provision for bad debts		1,000,000
Provision for depreciation (Plant & machinery)		1,400,000
Provision for depreciation (Buildings)		200,000
Provision for depreciation (Equipment)		3,200,000
Provision for depreciation (Fixtures and fittings)		2,000,000
Provision for depreciation (Motor vehicles)		1,200,000
Sales		27,000,000
Purchase returns		100,000
Capital		9,350,000

Discount received		100,000
Bad debt recovered		1,000,000
Accounts payable		8,000,000
	54,550,000	54,550,000

The following items are to be accounted for:

- (a) Stock at April 30, 2019 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 of depreciation and the assets have the following life expectancy:

Plant and machinery	5 years
Buildings	40 years
Equipment	5 years
Fixtures and fittings	5 years
Motor vehicles	5 years

- (d) The proprietor withdrew goods valued at \$150,000 for his personal use.
- (e) The following amounts are owing at April 30, 2019:

Utilities	\$12,500
Rent	\$24,000
- (f) Insurance amounting to \$20,000 has been prepaid.

Required:

- (i) Prepare the Statement of Comprehensive Income for the year ended April 30, 2019.
- (ii) Prepare the Statement of Financial Position as at April 30, 2019.

QUESTION 7

Ball and Bell operate a gift shop in Western Jamaica. The following information relates to the partnership for the year ended June 30, 2019:

	\$
Capital (Ball)	8,000,000
Capital (Bell)	9,000,000
Partnership Salaries	
Ball	300,000
Bell	400,000
Drawings	
Ball	250,000 (July 1, 2018)
Bell	650,000 (July 1, 2018)
Interest on Drawings	10% per annum
Interest on Capital	8% per annum

Profits 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 at July 1, 2018:

Ball	\$850,000 (Debit)
Bell	\$620,000 (Credit)

Ball and Bell both made drawings on July 1, 2018.

Required:

- (i) Prepare the Profit and Loss Appropriation account for the year ended June 30, 2019.
- (ii) Prepare the Current Account balances of Ball and Bell at June 30, 2019.
- (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 June 2019 and the Bank Statement for that month for C. Cole are as follows:

2019	Dr	\$	2019	Cr	\$
June 1	Balance b/d	23,790	June 5	D Blake	1,500
June 7	B Green	1,580	June 12	J Gray	4,330
June 16	A Silver	930	June 16	B Stephens	880
June 27	M Brown	3,070	June 28	Orange Club	570
June 28	K Black	6,240	June 30	Balance c/d	28,330
		<u>35,610</u>			<u>35,610</u>
July 1	Balance b/d	28,330			

Bank Statement

2019		Dr	Cr	Balance
		\$	\$	\$
June 1	Balance b/d			23,790
June 7	Cheque		1,580	25,370
June 8	D Blake	1,500		23,870
June 16	Cheque		930	24,800
June 17	J Gray	4,330		20,470
June 18	B Stephens	880		19,590
June 27	Cheque		3,070	22,660
June 28	Standing Order	440		22,220
June 28	Johnson's trader's credit		900	23,120
June 30	Bank charges	700		22,420

The standing order reflected on the Bank Statement on June 28, 2019 relates to the payment of insurance premiums.

Required:

- (i) Update the Cash Book at June 30, 2019.
- (ii) Prepare the Bank Reconciliation Statement as at June 30, 2019.

QUESTION 9

Affinity Limited has employed Astrid Herrera as a Budget Analyst. Her first assignment is to prepare a cash budget for the quarter ending December 31, 2019. The following items are to be used to inform the preparation of the budget:

- (a) The following sales represent forecasted sales:

	\$
October	3,000,000
November	4,000,000
December	6,000,000

The company has the policy of allowing 80% of its sales as credit sales. The customers pay one month after the sale. 20% of the sales represents cash sales.

- (b) The company negotiates with its suppliers one month's credit on 30% of its purchases. The remainder represents cash purchases. The following purchases were made during the quarter:

	\$
October	900,000
November	1,200,000
December	1,800,000

- (c) Monthly overheads of \$200,000 are incurred, and 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 \$15,000,000 in November.

- (e) The company has decided to pay dividends of \$500,000 to its shareholders in December.
- (f) As a part of the company's policy of fiscal prudence, the treasury has decided to invest \$6,500,000 in government paper in December.
- (g) Monthly salaries of \$250,000 are paid when incurred.
- (h) The company expects to receive dividends of \$1,500,000 from Lagoon Limited in October.
- (i) The company purchased a motor vehicle in November costing \$1,500,000. The sum is to be paid in the following month.
- (j) Company profit tax of \$1,200,000 is to be paid in December.
- (k) The company plans to repay the balance on its loan at National 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 November.
- (l) The balance of cash on October 1, 2019 is expected to be \$1,200,000.

Required:

- (i) Prepare a cash budget for the quarter ending December 31, 2019.
- (ii) Describe management's role in budget implementation.

END OF PAPER