

COUNCIL OF LEGAL EDUCATION
NORMAN MANLEY LAW SCHOOL

LEGAL EDUCATION CERTIFICATE
SECOND YEAR EXAMINATIONS, 2017

LAW OFFICE MANAGEMENT, ACCOUNTING AND TECHNOLOGY

(THURSDAY, MAY 18, 2017)

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

PLEASE REMAIN SEATED UNTIL YOUR SCRIPT HAS BEEN COLLECTED.

PART A

Question 1

Carmina Henry has been employed in the government service since her graduation from law school five years ago. The experience and steady income have been useful but Carmina is not satisfied with her situation. She wants to make a name for herself as a practitioner at the criminal bar, and her grandfather constantly asks her when she is going to become a “real lawyer”.

While she has been able to survive financially and has some savings, she is unable to afford the kind of office space which, in her view, would impress her clients or benefit her status.

Her grandfather, Albert Henry, owns an old three-story building not far from the courts. The building is occupied by a motley group of business people, including a wholesale grocery and liquor store and a small bar on the ground floor. Mr Henry has offered her accommodation for her practice in a private area on the top floor of the building, which is fairly quiet, as only a hairdresser and a dressmaker presently occupy a part of that floor in separate suites, walled off from the rest.

While he loves his granddaughter, Mr Henry is giving an eye to his retirement and has therefore offered the space for rent, albeit at a discounted rate.

Carmina is considering whether to take up her grandfather’s offer and is also contemplating what she should name her practice. At some time in the future, she will also be considering a domain name and a logo but is not addressing her mind to those matters at the moment.

List the factors Carmina should take into account in deciding whether to locate her law practice at the offered premises, and in choosing a name for the practice.

Question 2

Jack London is a practitioner of five years who took up the practice of law as a second career, after having successfully worked as a court bailiff for some years. His law practice is largely concentrated in the area of civil litigation.

You have recently been employed by Jack 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.

Jack opened his law practice immediately on leaving law school and, since commencing, he has been 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 but you know it is just a matter of time before he does, and that there are reasons why the use of an engagement letter is important.

Write a memorandum to Jack 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 3

King, Logan and Harris is a law firm in your jurisdiction which was formed some eight years ago. The partners are in the process of reviewing the systems, currently being used by the firm, to manage some of the risks associated with the practice of law. These include the risks posed, firstly, by conflicts of interest and, secondly, by missing important deadlines in the handling of

client matters. The partners are examining the systems in respect of these specific risks at the present time.

In their initial discussions about the matter, the view was expressed that, in order to do a proper evaluation of the current systems, the partners required general guidance on the characteristics that each of the systems should exhibit in order to be considered satisfactory.

You are related to Jerry Henry, one of the partners intimately involved in the process. He has asked you to assist him in the matter.

Prepare an email to Jerry setting out the relevant characteristics which law practice risk management systems, designed to mitigate the risks under consideration, should exhibit.

Question 4

You are an associate at the law firm of Biggles, Hicks and Jakes. The firm is constantly looking at ways to improve its operations, and has luncheon seminars at regular intervals, at which presentations are made by team members on relevant areas.

It is now your turn to make a presentation at one of these lunchtime events, and you have been requested to address the firm on the topic of "Meeting Clients' Needs: Relieving Common Pain Points and Best Practice Approaches".

Your supervising partner, Denzil Hicks, has requested that you send him an outline of the subject matter of your presentation for his approval.

Prepare a memorandum to Mr Hicks setting out the requested outline.

Question 5

Holmes, Tuft and Bailey is a small law firm operating in your jurisdiction. You are an associate at the firm and are assigned to one of the litigation partners, Gary Tuft, who also happens to be the firm's managing partner.

The low level of contribution of the associates to the income of the firm is causing Mr Tuft some concern and he is preparing for a meeting with them to address the matter. He has been discussing with you his intention to do a presentation on time-recording, billing and collection of fees since he thinks the associates need "a little refresher" in this regard.

Since you are not long out of school, he has decided that you are best placed to assist him. You have therefore been asked to give him an outline of the essential points he should make in his presentation, concerning the approaches which need to be adopted in these three areas of revenue management, and the importance of focusing on them.

Prepare a memorandum to Mr Tuft with the requested outline.

PART B

Question 6

The bank column of the cash book of Cussack Limited revealed the following information for the month of March 2017.

Bank A/c					
\$			\$		
March 1	Bal b/d	785,000	March 4	Repairs a/c	125,000
March 5	Sales a/c	950,000	March 6	Salaries a/c	480,000
March 8	Sales a/c	890,000	March 9	Security a/c	130,000
March 12	Sales a/c	990,000	March 13	Salaries a/c	480,000
March 18	Sales a/c	885,000	March 19	Insurance a/c	300,000
March 24	Sales a/c	700,000	March 20	Salaries a/c	500,000
March 30	Sales a/c	800,000	March 22	Stationery a/c	100,000
March 31	Sales a/c	900,000	March 27	Salaries a/c	500,000
March 31	Rent a/c	400,000	March 30	Legal fees a/c	250,000
		<u>7,300,000</u>	March 31	Bal c/d	<u>4,435,000</u>
April 1	Bal b/d	4,435,000			<u>7,300,000</u>

The bank statement from Financial Commercial Bank reflected the following transactions for the month of March 2017:

	Debit	Credit	Balance
	\$	\$	\$
March 1			785,000
March 4	125,000		660,000
March 5		950,000	1,610,000
March 6	480,000		1,130,000
March 8		890,000	2,020,000
March 9	130,000		1,890,000
March 12		990,000	2,880,000
March 13	480,000		2,400,000
March 18		885,000	3,285,000
March 19	300,000		2,985,000
March 20	500,000		2,485,000
March 22	100,000		2,385,000
March 24		700,000	3,085,000
March 27	500,000		2,585,000
March 30		450,000	3,035,000
March 31	5,000		3,030,000

The sum of \$450,000 credited on the bank statement on March 30 represents payment directly lodged by Ann Sul to the company's bank account representing payment for credit sales.

The transaction recorded on the bank statement on March 31 represents bank charges for the month of March.

Required:

- (a) Update the bank column of the cash book for the month of March 2017.
- (b) Prepare the Bank Reconciliation Statement for the month ended March 31, 2017.

Question 7

Info Processing Company provides database management services. It uses state-of-the-art equipment and employs five information specialists. Each specialist works an average of 160 hours a month and earns \$8.50 per hour. This direct labour cost is paid in the month in which it is incurred. Info Processing's controller has compiled the following information:

	Actual data for 20x6		Forecasted Data for 20x7		
	November	December	January	February	March
	\$	\$	\$	\$	\$
Sales	25,000	35,000	25,000	20,000	40,000
Selling and Administrative expenses	12,000	13,000	12,000	11,000	12,500
Operating Expenses	2,500	3,500	2,500	2,500	4,000
Processing Overheads	3,200	3,500	3,000	2,500	3,500

Sixty percent (60%) of the sales are cash sales collected during the month of sales. Thirty percent (30%) are collected in the first month following sales and ten percent (10%) are collected in the second month following the sale. Operating expenses are paid for in the month that they are incurred. Selling and administrative expenses and processing overheads are paid for in the month following that in which they are incurred.

The company has a bank loan of \$12,000 at a twelve percent (12%) annual interest rate. Interest is paid monthly and \$2,000 of the loan principal is due on February 28, 20x7. Income

taxes of \$4,550 for calendar year 20x6 are due and payable on March 15, 20x7. It expects its cash balance on December 31, 20x6 to be \$13,840.

Required:

- (a) Prepare the cash budget for the quarter ending March 31, 20x7.
- (b) What factors are essential to successful budget implementation?

Question 8

Amadeus and Sebastian own a Beauty Spa and Salon as partners. The first financial year of the business ended on April 30, 2016.

The following balances were taken from the books on that date:

Capital	\$3,000,000 Amadeus
Capital	\$2,400,000 Sebastian

Partnership salaries:

Amadeus	\$450,000
Sebastian	\$300,000

Drawings:

Amadeus	\$64,300
Sebastian	\$67,000

Current Account Balances on May 1, 2015:

Amadeus	\$50,000(Debit)
Sebastian	\$62,500(Credit)

The partnership's net profit for the year was \$1,642,000.
Interest on capital is to be allowed at ten percent (10%) per year.
Profit and losses are to be shared equally.

Required:

- (a) From the information above, prepare the partnership's Profit and Loss Appropriation Account for the year ended April 30, 2016.

- (b) Prepare the Current Account for Amadeus and Sebastian at April 30, 2016.
- (c) What do the debit and credit balances in the current accounts of Amadeus and Sebastian respectively on May 1, 2015 mean?
- (d) In partnership accounts, why is:
- (i) interest allowed on capital; and
 - (ii) interest charged on drawings?

Question 9

The following trial balance relates to Cristiana Selfridge at December 31, 2016

	\$mn	\$mn
Wages & Salaries	14.50	
Insurance expenses	0.45	
Discount allowed	0.50	
Utilities	0.75	
Office expenses	0.50	
Bad debts	0.45	
General expenses	1.25	
Stationery & Printing	1.50	
Travelling expenses	2.50	
Entertainment	2.00	
Interest expenses	6.00	
Purchases	176.28	
Opening Stock	125.00	
Sales returns	2.50	
Buildings at cost	300.00	
Plant & Machinery at cost	75.00	
Computer equipment at cost	20.00	
Motor Vehicles at cost	6.00	
Debtors	450.00	
Short- term investments	50.00	
Cash at Bank	4.50	
Cash in hand	0.02	
Sales		497.50
Investment Income		5.00
Discount Received		2.50
Commission Received		4.00
Rental Income		0.50
Provision for depreciation:		
Buildings		90.00

Plant & Machinery		22.50
Computer equipment		4.00
Motor Vehicles		1.20
Creditors		75.00
Short- term loan		75.00
Capital		499.50
Provision for bad debts		<u>3.00</u>
Drawings	<u>40.00</u>	
	<u>1279.70</u>	<u>1279.70</u>

- (i) The closing stock is \$75.00mn.
- (ii) Ms Selfridge withdrew goods valued at \$1.28mn for her personal use.
- (iii) The following amounts were owing at December 31, 2016: wages and salaries, \$0.50mn and office expenses, \$0.50mn.
- (iv) Investment income receivable amounts to \$2.50mn.
- (v) Prepaid insurance at December 31, 2016 is \$0.15mn.
- (vi) Provision for bad debts represents one percent (1%) of debtors.
- (vii) Ms Selfridge uses the straight line method of depreciation.

Assets	Life of assets
Building	15 years
Plant & Machinery	5 years
Computer equipment	5 years
Motor Vehicles	5 years

Required:

- (a) Prepare the Statement of Comprehensive Income for the year ended December 31, 2016.
- (b) Prepare the Statement of Financial Position as at December 31, 2016.

END OF PAPER