

COUNCIL OF LEGAL EDUCATION
NORMAN MANLEY LAW SCHOOL

LEGAL EDUCATION CERTIFICATE
SECOND YEAR EXAMINATIONS 2019

LAW OFFICE MANAGEMENT, ACCOUNTING AND TECHNOLOGY

(THURSDAY, MAY 16, 2019)

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, 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

QUESTION 1

Zialo Duke has been employed in the government service since his graduation from law school six years ago. The experience and steady income have been useful but Zialo is not satisfied with his situation. He wants to make a name for himself as a practitioner at the criminal bar.

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

His uncle, Trevor Duke, owns an old four-storey building not far from the courts. The building is occupied by a group of business people, including a wholesale grocery and liquor store and a small bar on the ground floor.

Mr Duke has offered him accommodation for his 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.

To help him achieve his dream he has offered the space for rent at a discounted rate.

Zialo is considering whether to take up his uncle's offer or set up his practice in an empty one-bedroom flat which forms an addition to a home owned and occupied by Zialo's parents. Zialo also lives there and it is located in a mixed residential and commercial area of the capital.

Advise Zialo of the factors he should consider in determining which, if any, of these locations is suitable for his practice.

QUESTION 2

Ziya Williams, attorney-at-law, is a sole practitioner in your jurisdiction. You were recruited by her to assist with her probate and conveyancing practice.

Ziya'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 Ziya, 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.

QUESTION 3

Oliver Campbell, attorney-at-law, has had a challenging day at the firm.

One lady, a Mrs Porteous Saint, came in to speak to Oliver about what she thought was a conveyancing matter. Shortly into the interview, however, he realized that although land was indeed involved, the matter essentially concerned a nasty land dispute. As he does not practise in the area of civil litigation he has declined to represent Porteous and has told her so.

Oliver wishes to send an appropriate letter to Porteous, given what transpired.

On Friday of the same week, the retainer by Michael Pitt, one of Oliver's newer clients was terminated by mutual agreement. The matter concerned the administration of an estate. Michael, a very difficult man, refused to take Oliver's advice on the procedure to be followed to get the sole executor named in the Will to administer the estate. Eventually, both men agreed that it was best that Michael be represented by someone else.

Oliver also wishes to send an appropriate letter to Michael with reference to the termination of the retainer.

- (i) Outline the contents of the letter to be written to Porteous.
- (ii) Outline the contents of the letter to be written to Michael.

QUESTION 4

Safiya Hart is an attorney-at-law who practises exclusively in the area of conveyancing. She has been doing this very successfully for over 30 years.

Safiya'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.

Advise Safiya in respect of her concern.

QUESTION 5

Pawn, Knight and Queen is a law firm in your jurisdiction which was formed some ten 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 Pete Knight, one of the partners intimately involved in the process. He has asked you to assist him in the matter.

Prepare a letter to Pete setting out the relevant characteristics which law practice risk management systems, designed to mitigate the risks under consideration, should exhibit.

PART B
ACCOUNTING

QUESTION 6

The following trial balance was prepared for B. Barclay at December 31, 2018:

	\$	\$
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	1,750,000	
Building	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> </u>	<u>4,000,000</u>
	<u>27,275,000</u>	<u>27,275,000</u>

The following items are to be accounted for:

- (a) Stock at December 31, 2018 is valued at \$750,000.
- (b) Provision for bad debts is expected to be 10% of accounts receivable.
- (c) The company uses the straight line method of depreciation. The estimated life expectancy is as follows:

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 \$75,000 for his personal use.
- (e) The following amounts are owing at December 31, 2018:

Utilities	\$6,250
Rent	\$12,000
- (f) Insurance amounting to \$10,000 has been prepaid.

Required:

- (i) Prepare the Statement of Comprehensive Income for the year ended December 31, 2018.
- (ii) Prepare the Statement of Financial Position as at December 31, 2018.

QUESTION 7

Simms and Summer operate a supermarket. The following information relates to the partnership for the year ended December 31, 2018:

	\$
Capital Simms	4,000,000
Capital Summer	4,500,000
Partnership Salaries	
Simms	150,000
Summer	200,000
Drawings	
Simms	125,000 (July 1, 2018)
Summer	325,000 (October 1, 2018)

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 \$9,137,500.

Current Account balances at January 1, 2018:

Simms	\$425,000 (Debit)
Summer	\$310,000 (Credit)

Simms and Summer made drawings on July 1, 2018 and October 1, 2018 respectively.

Required:

- (i) Prepare the Profit and Loss appropriation account for the year ended December 31, 2018.
- (ii) Prepare the Current Accounts of Simms and Summer at December 31, 2018.

QUESTION 8

The bank columns in the cash book for May 2018 and the bank statement for that month for B. Bolshevik are as follows:

2018	Dr	\$	2018	Cr	\$
May 1	Balance b/d	11,895	May 5	D. Blake	750
May 7	B. Green	790	May 12	J. Gray	2,165
May 16	A. Silver	465	May 16	B. Stephens	440
May 27	M. Brown	1,535	May 28	Orange Club	285
May 28	K. Black	<u>3,120</u>	May 31	Balance c/d	<u>14,165</u>
		<u>17,805</u>			<u>17,805</u>
June 1	Balance b/d	14,165			

BANK STATEMENT

2018	Dr	Cr	Balance
	\$	\$	\$
May 1	Balance b/d		11,895
May 7	Cheque	790	12,685
May 8	D.Blake	750	11,935
May 16	Cheque	465	12,400

2018	Dr	Cr	Balance
May 17 J. Gray	2,165		10,235
May 18 B. Stephens	440		9,795
May 27 Cheque		1,535	11,330
May 28 Standing Order	220		11,110
May 28 Johnson's trader's credit		450	11,560
May 31 Bank charges	350		11,210

The standing order reflected on the Bank Statement on May 28, 2018 relates to the payment of insurance premiums.

Required:

- (i) Update the cash book at May 31, 2018.
- (ii) Prepare the Bank Reconciliation Statement as at May 31, 2018.

QUESTION 9

Mandara Limited has employed Gisele Laronde as a budget analyst. Her first assignment is to prepare a cash budget for the quarter ending September 30, 2019. The following items are to be used to inform the preparation of the budget:

- (a) The following sales represent forecasted sales for the relevant months of 2019.

	\$
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. 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	1,800,000
August	2,400,000
September	3,600,000

- (c) Monthly overheads of \$400,000 are incurred, included in this figure is depreciation of \$80,000. Overheads are paid on a monthly basis.
- (d) The directors have agreed to inject capital of \$26,000,000 in August.
- (e) The company has decided to pay dividends of \$1,000,000 to its shareholders in September.
- (f) 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.
- (g) Monthly salaries of \$500,000 are paid when incurred.
- (h) The company expects to receive dividends of \$3,000,000 from Oakton Holdings Limited in July.
- (i) The company purchased computer equipment in August costing \$600,000 and 50% of the cost is to be paid immediately and the remainder one month later.
- (j) Company profit tax of \$2,400,000 is to be paid in September.
- (k) 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.
- (l) The balance of cash on July 1, 2019 is expected to be \$2,400,000.
- (m) There is no policy that speaks to a minimum cash balance.

Required:

- (i) Prepare a cash budget for the quarter ending September 30, 2019.
- (ii) Define budgeting and explain its role in the management cycle.

END OF PAPER