

COUNCIL OF LEGAL EDUCATION  
NORMAN MANLEY LAW SCHOOL

LEGAL EDUCATION CERTIFICATE  
SECOND YEAR EXAMINATIONS, 2018

LAW OFFICE MANAGEMENT, ACCOUNTING AND TECHNOLOGY

(THURSDAY, MAY 17, 2018)

**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.

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**PLEASE REMAIN SEATED UNTIL YOUR SCRIPT HAS BEEN COLLECTED.**

## **PART A**

### **Question 1**

You have recently been employed as an associate attorney-at-law at a small law firm in your jurisdiction. The firm, Johnson and Smart, was established in 1999 and you interned there for two summers while you were a student.

As an intern, you were often asked to perform administrative tasks, including the retrieval of files. While performing these tasks, you observed certain practices in the office which did not trouble you at the time but which bother you now.

Firstly, all the client files (both active and inactive), as well as office files, are stored together. Secondly, the files, which date as far back as 1999, are so tightly packed into the filing cabinets that it is very difficult to move them to and from their designated slots.

Armed with knowledge gleaned from your second-year courses at law school, you realise that this approach does not reflect best practice. Accordingly, you feel duty-bound to recommend a different one.

Draft a memorandum to the managing partner, Elroy Smart:

- (i) suggesting the approach Johnson and Smart should take to address the deficiencies you have observed with respect to the storage of files, as well as the apparent indefinite retention of inactive files; and
  - (ii) recommending the procedure to be followed with respect to all files which are to be closed.
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### **Question 2**

#### **Answer both (a) and (b)**

- (a) Inez Gonsalves is a sole practitioner of many years' standing. Despite her age, she has a progressive approach to her law practice and tries very much to keep up with the times. This extends to the use of technology in her practice. Due to recent

occurrences, however, she is beginning to wonder whether this innovation is not really more of a “curse” than a “blessing”.

The first occurrence took place about six months ago when Ms Gonsalves fired her senior secretary. She subsequently discovered that, through the use of the remote computer access to the office files which both she and that secretary enjoyed, the latter had removed certain critical records. Fortunately, on this occasion, no client information was involved.

The second occurred when the replacement secretary sent an email to the wrong client. The very “helpful” computer had completed the email address after the secretary had typed the first few letters of the one to which she intended it to go. She had pressed “send” without noticing that it was not the correct address. Fortunately, the recipient was also a close friend of Ms Gonsalves whom she trusted to keep the matter to herself.

Ms Gonsalves is seeking advice on what steps she can take to prevent these types of “leaks” of information from occurring.

Advise her.

- (b) Johns and Jamieson, a small law firm, has acquired brand new office space which consists of an entire floor of a three-storey building in the capital. Their floor is completely open space which they will partition and outfit as they please. The bathroom that will be used by employees and clients is in a common area outside the entrance to the floor.

What should the firm take into consideration in planning the physical layout and furnishing of the office, having regard to their duty of confidentiality?

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### **Question 3**

#### **Answer both (a) and (b)**

(a) Elizabeth Ferguson, Attorney-at-law, had a consultation with a prospective client one morning, approximately two months ago. The individual in question, Kingsley Denham, had been in an accident in which he was badly injured some three years before. He had not contacted the office beforehand, but had simply walked in from the street, having seen the sign outside her office. As he seemed to be quite anxious to see a lawyer, and Ms Ferguson was not then with a client, she had seen him.

After hearing what the matter was about and looking at some papers which he handed to her, she had indicated to him that she would be willing to take his matter if he signed her standard form retainer agreement and paid her a sum on account of her professional fees. She made a note of his name and contact information as well as of their meeting and then returned to him the papers which he had shown her.

To date, Ms Ferguson has not heard from Mr Denham.

Advise her as to the formal communication which she should send to him, giving reasons why she should do so and outlining its recommended content.

(b) Hodgkins and Stubble, a firm of attorneys-at-law, is choosing a domain name for itself. Identify the factors the firm should consider in the process.

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### **QUESTION 4**

Harold and Jamie were both called to the Bar in 2005 and, since that time, have been employed as in-house counsel at various institutions.

Having gained a fair amount of experience and being anxious to secure their financial futures, they are contemplating setting up their own practice, in partnership. They have been discussing the matter with their spouses and Harold's spouse, Maisie, has suggested that, to start, they should prepare a business plan.

If they had learned about such a thing at law school, they have, by now, long forgotten whatever they were taught. They are consequently reluctant to follow the advice and are trying to convince themselves that it is simply not necessary.

Maisie is anxious that they do the prudent thing, and has asked that you give them some advice. She has arranged for you to meet at her and Harold's home.

Prepare an outline of the advice you will give Harold and Jamie with respect to:

- (i) why it is advisable to prepare a business plan; and
  - (ii) what they should include in their plan.
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### **Question 5**

Furness and Winthrop, Attorneys-at-law, conducts in-house training for all its professional and support staff. Based on surveys which the firm has conducted among its clients over a number of years, the following have been identified as common and persistent pain points:

1. The legal advice given is not constructive.
2. The client does not understand what the plan is.
3. The client is concerned about and sometimes does not know the costs involved.
4. There is irregular or very little communication with the client.
5. The matter takes too long.

You are a newly recruited associate at the firm. You are aware, having just graduated from law school, that these pain points are in fact quite common ones and are not unique to this firm. You are also aware that there are approaches which can be used to mitigate them and generally to meet clients' needs and enhance client relationships.

In discussions concerning the issue with the managing partner, he feels that it would be useful for you to share your knowledge with them all at an in-house training session.

He has asked you to prepare, for his perusal, an outline of a presentation on the matter which:

- (i) explains the pain points set out above; and
- (ii) identifies and explains the strategies which would address those pain points, ensure that clients' needs are met and build strong client relationships.

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**PART B**  
**ACCOUNTING**

**Question 6**

The following trial balance was prepared for Danvers Dolmite at March 31, 2018:

	\$mn	\$mn
Sales		970.00
Sales returns	3.00	
Opening Stock	30.00	
Purchases	600.00	
Purchases returns		15.00
Discount received		7.00
Rental income		4.00
Interest income		3.00
Discount allowed	14.00	
Interest expense	1.00	
Utilities	2.00	
Salaries	11.00	
Maintenance	2.00	
Insurance	19.00	
Provision for depreciation		
Building		56.00
Plant and machinery		12.00
Computer equipment		3.00
Motor vehicles		10.00
Provision for bad debts		3.00
Bad debts	2.50	
Professional fees	5.00	
Land	80.00	
Buildings	320.00	
Plant and machinery	40.00	
Computer equipment	9.00	
Motor vehicles	25.00	
Trade debtors	35.00	
Short term deposit	28.00	

Cash at bank	15.00	
Cash in hand	1.00	
Trade creditors		8.00
Long term loan		17.50
Capital		300.00
Drawings	166.00	
	<u>1,408.50</u>	<u>1,408.50</u>

- (a) Stock at March 31, 2018 is valued at \$23.00 mn.
- (b) Provision for bad debts is expected to be \$11.00 mn at March 31, 2018.
- (c) The proprietor withdrew goods valued at \$50.00 mn from the business for his personal use for the financial year under review.
- (d) The following expenses were unpaid at March 31, 2018:

Interest	\$0.50 mn
Utilities	\$1.00 mn
Salaries	\$3.00 mn

- (e) The following income categories were earned at March 31, 2018 but not yet received:

Rental	\$2.00 mn
Interest	\$1.00 mn

- (f) Insurance expense amounting to \$4.00 mn was prepaid at March 31, 2018.
- (g) The proprietor uses the straight line method of depreciation on all assets. The estimated lives of the assets are as follows:

Building	40 years
Plant and Machinery	10 years
Computer equipment	3 years
Motor vehicles	5 years

- (h) It is expected that principal amounting to \$4.00 mn will be repaid in the coming financial year.

**Required:**

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

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**Question 7**

Williams and Lawrence operate a joinery, in partnership. The following information relates to the partnership for the year ended December 31, 2017:

	\$
Capital (Williams)	6,000,000
Capital (Lawrence)	6,500,000
<b>Partnership Salaries</b>	
Williams	1,250,000
Lawrence	1,300,000
<b>Drawings</b>	
Williams	350,000
Lawrence	400,000
<b>Interest on Drawings</b>	
Williams	6,000
Lawrence	6,500
<b>Interest on Capital</b>	
Williams	\$480,000
Lawrence	\$520,000

Profits and losses are to be shared equally between the partners.

The business's net profit for the year was \$9,500,000.

Current Account balances at January 1, 2017:

Williams	\$430,000 (Credit)
Lawrence	\$500,000 (Credit)

**Required:**

- (i) Prepare the Profit and Loss Appropriation Account for the year ended December 31, 2017.
- (ii) Prepare the Current Account balances of Williams and Lawrence at December 31, 2017.



(iii) Why would a partnership charge interest on the funds withdrawn from the partnership by the partners?

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**Question 8**

The bank columns in the cash book for May 2017 and the bank statement for that month for S. Blare are as follows:

2017	Dr	\$	2017	Cr	\$
May 1	Balance b/d	12,400	May 7	D. Black	500
May 6	A. Grove	700	May 14	J. Goss	1,100
May 12	B. Gold	450	May 16	Q. Stall	400
May 25	N. Smith	1,750	May 27	Golf Club	1,500
May 28	K. Black	<u>8,000</u>	May 31	Balance c/d	<u>19,800</u>
		<u>23,300</u>			<u>23,300</u>
June 1	Balance b/d	19,800			

**Bank Statement**

2017		Dr	Cr	Balance
		\$	\$	\$
May 1	Balance b/d			12,400
May 6	A. Grove		700	13,100
May 7	D. Black	500		12,600
May 12	B. Gold		450	13,050
May 14	J. Goss	1,100		11,950
May 16	Q. Stall	400		11,550
May 25	N. Smith		1,750	13,300
May 28	Standing Order	220		13,080
May 28	Johnson's trader's credit		450	13,530
May 31	Bank charges	350		13,180

The standing order reflected on the Bank Statement on May 28, 2017 relates to the payment of insurance premiums.

**Required:**

- (i) Update the cash book as at May 31, 2017.
  - (ii) Prepare the bank reconciliation statement as at May 31, 2017.
  - (iii) What is the purpose of the bank reconciliation statement?
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**Question 9**

Oakridge Limited has employed Ashru Simberg, who has just graduated from the Kellogg 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	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 one month after the sale. Cash sales represent 10% of total 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; 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 March, June, September and December.
- (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, 2018 is expected to be \$2,400,000.

**Required:**

Prepare a cash budget for Oakridge Limited for the quarter ending September 30, 2018.

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**END OF PAPER**