

COUNCIL OF LEGAL EDUCATION  
NORMAN MANLEY LAW SCHOOL

LEGAL EDUCATION CERTIFICATE  
SECOND YEAR EXAMINATIONS, 2009

LAW OFFICE MANAGEMENT, ACCOUNTING AND TECHNOLOGY

(THURSDAY, MAY 28, 2009)

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 ink.
- (g) Calculators may be used.

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PLEASE REMAIN SEATED UNTIL YOUR SCRIPT HAS BEEN COLLECTED.

## PART A

### LAW OFFICE MANAGEMENT AND TECHNOLOGY

#### QUESTION 1

Managing a law firm effectively in the 21<sup>st</sup> century requires a multi-disciplinary approach.

Discuss.

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#### QUESTION 2

Answer either part (a) or (b).

- (a) *“At its simplest a business model is an articulation of a firm’s core logic for creating and capturing value through its investment in and use of resources.”*  
Prof. Stephen Mayson –Business Models in Legal Services.

Outline briefly the value creation, value capture, investment and resource elements generic to every business model and how they contribute to a well run law firm.

- (b) Outline the characteristics of a law partnership which distinguish it from a corporate entity and the strengths and weaknesses of those characteristics.
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### **QUESTION 3**

- (a) Research and experience show that the criteria which clients use to assess quality in legal services are consistent across service businesses.

List five of these criteria.

- (b) Client care is an important element of good risk management practices.

List five of these practices in relation to client care.

- (c) It is impermissible to withdraw funds from a client's trust account except in specified circumstances.

List these circumstances and illustrate the consequences of non-compliance by reference to any relevant authorities.

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### **QUESTION 4**

You are the youngest partner in a medium size law firm. Your partners' management approach is grounded in the experience of hard knocks, meeting ever increasing costs, lack of people commitment and rule by fear.

Your exposure indicates that a great place to work requires that discipline and meeting financial targets must be complemented by practices which attract and retain the best people and motivate them to do their best at all times.

Prepare a memorandum to the managing partner which identifies succinctly the key points of these best practices.

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### **QUESTION 5**

Mary Hardup is a property developer and client of Svelte, Wheeler & Nicely (SW&N) attorneys-at-law. Mary has a beach property at Paradise Found in an exclusive tourism area which is ideally suited to developing luxury villas. However she has fallen on hard times and is unable to raise the financing to undertake the project.

SW&N has a client Jimmy Brash, an entrepreneur and broker who is willing to purchase the completed villas at a fixed price. Jimmy will then resell to some millionaire associates at a profit.

Unknown to Mary, Jimmy has had a number of brushes with the law. He has been indicted on three occasions for conspiracy to defraud, fraud and obtaining credit by fraud. On each occasion he was represented by SW& N and the cases were all adjourned sine die as the witnesses for the prosecution failed to attend Court. SW&N is also defending Jimmy in a civil suit for a multi-million dollar claim for damages for breach of contract and misrepresentation relating to a management contract for a guest house.

SW&N introduces Mary to Jimmy. Jimmy agrees to purchase the completed villas from Mary. Mary believes she will make reasonable profits if she could raise project financing for the development. SW&N, who has contacts with Swift Money Bank (SMB), arranges for Mary to obtain mortgage financing from SMB. SW&N prepares the construction

contracts and sale agreements between Mary and Jimmy for the Paradise lots. SW&N also advances part of the deposit that Jimmy pays to Mary pursuant to the contracts without Mary's knowledge.

Nine months after commencing construction Mary's quantity surveyor issues a notice of practical completion to Jimmy. Jimmy has lost the multi-million dollar case against him and the existence of the Judgment and bankruptcy proceedings have damaged his credit and his ability to complete his contracts with Mary. Mary instructs SW&N to rescind the contracts with Jimmy. Jimmy wants more time to salvage the sales. SW&N informs Mary that it can no longer act for her. SMB calls its loan with Mary and in exercise of its power of sale as mortgagee, sells the completed villas. Due to an economic downturn the villas are sold at forced sale values which are insufficient to pay off Mary's debt to SMB.

- (i) What principles and best practices has SW&N failed to observe?
- (ii) Are there any circumstances in which SW&N could have acted as it did without legal exposure to Mary?
- (iii) Would your answer to (ii) be different if Jimmy had been convicted of the fraud charges against him?

Justify your answer(s) by reference to any relevant authorities.

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**PART B**  
**ACCOUNTING**

**QUESTION 6**

Felasco Nurseries has been in business for six years and has four divisions. Ethan Poulis, the company's controller has been asked to prepare a cash budget for the Southern Division for the first quarter of 20x8.

Projected data supporting this budget are as follows:

Total Sales is given below, 60% of which is on credit.

<b>Sales</b>	<b>\$</b>
November 20x7	160,000
December 20x7	200,000
January 20x8	120,000
February 20x8	160,000
March 20x8	140,000

<b>Purchases</b>	<b>\$</b>
December 20x7	86,800
January 20x8	124,700
February 20x8	99,440
March 20x8	104,800

Collection records of accounts receivable have shown that 30% of all credit sales are collected in the month of sale, 60% in the month following sale and 8% in the second month following the sale; 2% of the credit sales are uncollectible. All purchases are paid

for in the month after the purchase. Salaries and wages are projected to be \$25,200 in January, \$33,200 in February and \$21,200 in March. Estimated monthly costs are utilities, \$4,220; collection fees, \$1,700; rent \$5,300; equipment depreciation, \$5,440; supplies, \$2,480; small tools, \$3,140; and miscellaneous, \$1,900.

Each of the corporation's divisions maintains a \$6,000 minimum cash balance. As of December 31, 20x7, the Southern Division had a cash balance of \$9,600. Interest on borrowings is charged at 12% per annum. All borrowings and repayments take place at the end of the month.

**Required:**

- (i) Prepare a monthly cash budget for Felasco Nurseries' Southern Division for the first quarter of 20x8.
  
- (ii) What are the advantages of budgeting?

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**QUESTION 7**

Roach and Salmon own a grocery shop. Their first financial year ended on December 31, 2008.

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

Capital:	Roach	\$600,000
	Salmon	\$480,000

Partnership Salaries:	Roach	\$90,000
	Salmon	\$60,000
Drawings:	Roach	\$128,600
	Salmon	\$134,000
Interest on Drawings:	Roach	\$6,430
	Salmon	\$6,700

Interest on Capital: 10% per annum

The grocery's net profit for the year was \$750,000

Profit and losses are to be shared equally

Current Account balances at January 1, 2008 were as follows:

Roach:	\$150,000 (debit)
Salmon:	\$120,000 (credit)

**Required:**

- (i) Prepare for the year ended 31 December 2008:
  - (a) the Profit and Loss Appropriation account for Roach and Salmon; and
  - (b) the current accounts in the ledger for Roach and Salmon



- (ii) In partnership accounts why is:
- (a) Interest allowed on capital
  - (b) Interest charged on drawings.
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**QUESTION 8**

The bank statement for G. Greene for the month of March 2009 is:

2009		Dr	Cr	Balance
		\$	\$	\$
March 1	Balance			5,197
March 8	L. Tulloch	122		5,075
March 16	Lodgement		244	5,319
March 20	A. Bennett	208		5,111
March 21	Lodgement		333	5,444
March 31	M.Turnbull		57	5,501
March 31	B. Hull (Standing Order)	49		5,452
March 31	Bank charges	28		5,424

The cash book for March 2009 is:

2009	Dr	\$	2009	Cr	\$
March 1	Balance b/d	5,197	March 7	L.Tulloch	122
March 15	Sales	244	March 19	A. Bennett	208
March 20	Sales	333	March 30	L. Soy	490
March 31	U. Sol	<u>160</u>	March 31	Balance c/d	<u>5,114</u>
		5,934			5,934
April 1	Balance b/d	5,114			

**Required:**

- (i) Update the cash book at March 31, 2009.
  - (ii) Prepare a bank reconciliation statement as at March 31, 2009.
  - (iii) Briefly explain why it is necessary to prepare bank reconciliation statements on a monthly basis.
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### QUESTION 9

The following Trial Balance was extracted from the books of Hall Burry, a trader, on December 31, 2008:

	\$	\$
Capital		24,239
Drawings	4,888	
Debtors	19,100	
Creditors		8,162
Purchases	167,760	
Sales		204,706
Rent	1,350	
Lighting and Heating	475	
Salaries	6,352	
Bad Debts	331	
Provision for bad debts at 31/12/2007		143
Discount Received		955
Opening Stock	14,972	
Insurance	304	
General expenses	2,044	
Bank Balance	6,603	
Motor Vehicle at cost	1,440	
Telephone & Postage	517	
Motor expenses	861	
Stationery & Printing	737	
Travellers' Commission	9,925	
Discount Allowed	517	
Petty Cash	<u>29</u>	
	<b><u>238,205</u></b>	<b><u>238,205</u></b>

The following matters are to be taken into account:

- (1) Stock in trade at December 31, 2008 is valued at \$12,972.
- (2) Rent owing at December 31, 2008 is \$450.
- (3) Other expenses owing at the end of the year are Travellers Commission \$806, accountancy charges \$252 and lighting and heating \$136.
- (4) Provision for bad debt is to be increased to \$573.
- (5) Depreciation is to be charged on vehicles at an annual rate of 10% on cost.
- (6) The proprietor had removed stock costing \$112 for his own use during the year.

**Required:**

- (i) Prepare the income statement for the year ended December 31, 2008.
  - (ii) Prepare the Balance Sheet as at December 31, 2008.
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