

COUNCIL OF LEGAL EDUCATION
NORMAN MANLEY LAW SCHOOL
LEGAL EDUCATION CERTIFICATE
SECOND-YEAR EXAMINATIONS, 2004

LAW OFFICE MANAGEMENT, ACCOUNTING AND TECHNOLOGY
(FRIDAY, MAY 28, 2004)

Instructions to Students

- (a) Time: 3 ½ hours
- (b) Answer FIVE questions, not more than THREE questions 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.

PLEASE REMAIN SEATED UNTIL YOUR SCRIPT HAS BEEN COLLECTED.

PART A

LAW OFFICE MANAGEMENT AND TECHNOLOGY

QUESTION 1

Outline:

- (a) the criteria to be utilized in appraising the professional and non-professional members of staff of a law office;
 - (b) the qualities and characteristics of an exceptional professional person and good teamwork.
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QUESTION 2

Summarize how the law seeks to promote the principles of:

- (a) accountability with respect to the handling of clients' monies;
 - (b) transparency and fairness with respect to fees for professional services rendered.
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QUESTION 3

Outline the concept and functions of management and show how the McKinsey 7S and SWOT models can be used to enhance the competitive advantage of a law firm.

QUESTION 4

Outline:

- (a) how Susskind's Legal Grid can be utilized to inform a law firm's approach to information technology and electronic commerce; and
 - (b) the factors to be taken into account when selecting accounting software for a law office.
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QUESTION 5

The Central Bank of Exotica is under the microscope in a Commission of Enquiry into the causes of the collapse of Exotica's financial sector. Ms. Justice Trunchbull chairs the Commission.

Central Bank Governor Mr. John Jacas is concerned (a) that his institution is not unfairly blamed for weaknesses in the regulatory structure and (b) that information of a confidential nature relating to commercial banks and their customers could be disclosed. Mr. Jacas retains Velvet, Glove & Steel, a

prestigious law firm, to advise on the material and evidence to be tendered to the Commission with respect to (a) and (b) above.

Consequent upon evidence given to the enquiry, Mr. Crafton Snitchermore, the President of Go Easy Bank sues the Central Bank and Governor Jacas for misfeasance in public office, breach of statutory duty, breach of confidence and damages for libel and seeks an order that the defendants disclose the communications between them and Velvet, Glove & Steel relating to the legal advice given on (a) and (b) above.

What principles should guide the Court in the determination of the application? Support your answer by reference to any relevant case(s).

PART B

ACCOUNTING

QUESTION 6

According to the Cash Book of Rollins Development Limited the company has a debit balance of \$380,000 on March 31, 2004, but this is not borne out by the Bank Statement for the same period which had a credit balance of \$588,300. An investigation into the difference yields the following information:

- (i) A standing order for a charitable subscription of \$40,000 had been paid by the bank on March 29 but no entry had been made in the cash book;

- (ii) A cheque paid for advertising on March 10 for \$15,000 had been entered in the cash book as \$51,000;
- (iii) Cheques for \$103,700 sent to creditors on March 30 were not paid by the bank until April 6;
- (iv) Lodgements of \$100,000 were made on March 31 but were not credited by the bank until April 1;
- (v) On March 20 a cheque for \$11,400 was received from a customer in settlement of an invoice for \$12,000 and lodged in the bank. An entry of \$12,000 had been made in the cash book;
- (vi) Included with the March statement was a cheque for \$1,800 received from Howard Williams a customer of Rollins Development Limited. This cheque was marked NSF- Not Sufficient Funds. The credit entry on the bank statement has been reversed but the reversal has not been made in the cash book;
- (vii) A cheque belonging to Rolons Limited was among the batch of returned cheques of Rollins Development Limited. When the Accounting Clerk at Rollins Development Limited perused the bank statement it was discovered that the cheque in the amount of \$6,000 was debited on the statement;
- (viii) Bank charges of \$3,000 were not entered in the cash book of Rollins Development Limited;
- (ix) Proceeds of a bank loan amounting to \$220,000 were reflected in the bank statement for March but have not been recorded in the cash book.

Required:

- (a) What is the purpose of a bank reconciliation?
 - (b) Prepare the Bank Reconciliation Statement at March 31,2004.
 - (c) What are some of the factors, which may give rise to the disagreement between the balance as per cash book and balance as per bank statement?
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QUESTION 7

Victoria Aubergine has just graduated from Stanford University with an MBA in Finance. She has been employed by a leading retail house in the region as the Budget Analyst. Her first assignment is to prepare the budget for the last quarter of the year.

The following Balance Sheet represents the assets, liabilities and equity as at September 30,2004.

Fixed Assets	\$M	\$M
Land		60.00
Plant & Machinery at cost	75.00	
Less Accumulated Depreciation	<u>30.00</u>	
Net Book Value		45.00
Motor vehicles at Cost	60.00	
Less Accumulated Depreciation	<u>18.00</u>	
Net Book Value		<u>42.00</u>
Total Fixed Assets		147.00

Current Assets

Inventory	56.00	
Debtors	30.00	
Investments	200.00	
Cash at Bank	<u>76.00</u>	
		362.00

Less Current Liabilities

Trade Accounts Payable	16.00	
Accrued Admin. Expenses	<u>8.00</u>	
		<u>24.00</u>

Net Current Assets

338.00
485.00

Share Capital	200.00	
General Reserves	250.00	
Retained Earnings	<u>31.00</u>	
Total Equity	481.00	
Long Term Liabilities		
Mortgage	<u>4.00</u>	

485.00

- (a) The company has the following policy with respect to its customers. 70% of the sales in a given month is collected in that month. A 5% discount is granted on these collections and 30% in the following month. The following sales were generated -

October	\$70.00 M
November	\$74.00 M
December	\$84.00 M

(b) The following purchases are expected to be made –

October	\$56.00 M
November	\$60.00 M
December	\$52.00 M

The company has successfully negotiated two months credit from its suppliers along with a 10% discount. The trade accounts payable is to be paid in November.

- (c) It is expected that the directors of the company will inject capital of \$186.00 M in the business in October;
- (d) The company is expected to pay off the outstanding mortgage in December;
- (e) The directors have agreed to the purchase of a residence for the Managing Director for \$45.00 M in Jacks Hill. This is to be paid for in November;
- (f) It is expected that the official residence of the Managing Director will be refurbished and landscaped at a cost of \$25.00 M. The refurbishing exercise is expected to take five months and is scheduled to begin in December. In that month 80% of the proposed cost of refurbishing is to be disbursed to Interior Decorators Incorporated. The remainder will be paid when the job has been satisfactorily completed.
- (g) The company has retained the services of the legal firm Hercules McGregor & James and have agreed to pay a retainer of \$15.00 M in October;

- (h) The company is to receive interest income of \$5.00 M quarterly on its investment in Government paper in December, March, June and September;
- (i) The company is to receive commissions of \$30.00 M in the following manner –

October	\$12.50 M
November	\$10.00 M
December	\$7.50 M

- (j) The directors plan to declare dividends of \$35.00M in October and pay it in December. In addition the directors have agreed to transfer \$10.00 M from the profit and loss appropriation account to the general reserves of the company in January;
- (k) The Government has approached the company about purchasing a Great House in an exclusive section of St Ann. The directors plan to purchase the property for \$75.00 M and have justified the acquisition of the property on the grounds that it is expected to increase shareholder value in the medium to long-term by capital gains derived from appreciation in the value of the property. The disbursement will take place in two tranches \$15.00 M in February 2005 and \$60.00 M in February 2006.
- (l) Administrative expenses are \$10.00M monthly and are paid one month after being incurred. This figure includes monthly depreciation of \$2.00 M.

Required:

- (a) Prepare a cash budget for the quarter ending December 31, 2004;

- (b) What are some of the limitations of cash budgeting?
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QUESTION 8

Road and Street own a food outlet. The first financial year ended on March 31, 2004. The following balances were taken from the books on that date –

Capital \$6,000,000 Road

Capital \$4,800,000 Street

PARTNERSHIP SALARIES:

Road \$900,000

Street \$600,000

DRAWINGS:

Road \$128,600

Street \$134,000

CURRENT ACCOUNT BALANCE at April 1, 2003

Road \$100,000 (Debit)

Street \$125,000 (Credit)

The partnership's net profit for the year was \$3,284,000

Interest on capital is to be allowed at 10% per annum.

Profit and losses are to be shared equally.

Required:

- (a) From the information above prepare the firm's appropriation account and the partners' current accounts for year ended March 31, 2004;

- (b) In partnership accounts what is the purpose of preparing:
- (i) a profit and loss account?
 - (ii) a profit and loss appropriation account?
- (c) Why in many partnerships are current accounts prepared as well as capital accounts?
- (d) What does the debit and credit balances in the current accounts of Road and Street respectively at April 1, 2003 mean?
- (e) In partnership accounts why is:
- (i) interest allowed on capital;
 - (ii) interest charged on drawings.

QUESTION 9

The following trial balance relates to Osprey Jones at March 31, 2004

	\$M	\$M
Wages and Salaries	29.00	
Insurance Expenses	0.90	
Discount Allowed	1.00	
Utilities	1.50	
Office Expenses	1.00	
Bad Debts	0.90	
General Expenses	2.50	
Stationery & Printing	3.00	
Travelling Expenses	5.00	

Entertainment	4.00	
Interest Expenses	12.00	
Purchases	352.57	
Opening Stock	250.00	
Sales Returns	5.00	
Land Buildings at cost	700.00	
Plant & Machinery at cost	150.00	
Computer Equipment at cost	40.00	
Motor Vehicles at cost	12.00	
Debtors	900.00	
Short-Term Investments	100.00	
Cash at Bank	9.00	
Cash in Hand	0.03	
Sales		995.00
Investment Income		10.00
Discount Received		5.00
Commission Received		8.00
Rental Income		1.00
Provision for Depreciation :		
Buildings		180.00
Plant & Machinery		45.00
Computer Equipment		8.00
Motor Vehicles		2.40
Trade Accounts Payable		250.00
Short-Term Loan		150.00
Capital		999.00
Provision for Bad Debts		6.00
Drawings	<u>80.00</u>	
	<u>2,659.40</u>	<u>2,659.40</u>

- (i) The closing stock is \$150.00 M.
- (ii) Mr. Jones withdrew goods valued at \$2.57M for his personal use.
- (iii) The following amounts were owing at March 31, 2004 wages and salaries \$1.00 M and office expenses \$1.00 M.
- (iv) Investment income receivable amounts to \$5.00 M.
- (v) Prepaid insurance at March 31, 2004 is \$0.30 M.
- (vi) Provision for bad debts represents 1% of debtors.
- (vii) Osprey Jones uses the straight-line method of depreciation.

Asset	Life of Asset
Building	30 years
Plant & Machinery	10 years
Computer equipment	5 years
Motor Vehicles	5 years

- (viii) Land is valued at \$100.00 M.

Required:

- (a) Prepare the Trading and Profit & Loss account for Osprey Jones for year ended March 31, 2004;
- (b) A Balance Sheet as at March 31, 2004.