

**COUNCIL OF LEGAL EDUCATION
NORMAN MANLEY LAW SCHOOL**

**LEGAL EDUCATION CERTIFICATE
SECOND YEAR EXAMINATIONS, 2006**

LAW OFFICE MANAGEMENT, ACCOUNTING AND TECHNOLOGY

(FRIDAY, MAY 26, 2006)

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.

PLEASE REMAIN SEATED UNTIL YOUR SCRIPT HAS BEEN COLLECTED.

PART A

LAW OFFICE MANAGEMENT AND TECHNOLOGY

QUESTION 1

“Knowing where your business is going and how to achieve defined objectives are hallmarks of good management. Integral to this is the process of marketing .”

- (a) What characteristics of legal services influence its marketing and how?
 - (b) Define the marketing mix and its components.
 - (c) Identify three steps a law firm can take to promote effective marketing.
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QUESTION 2

“Leading is not managing; nor is managing leading”.

Outline and contrast the essentials of successful leaders and successful managers and identify the qualities which make for effective law firm leaders.

QUESTION 3

- (a) Identify the elements of the SWOT model and use them to formulate a series of questions to facilitate evaluation of the competitive position of a law firm.
 - (b) Construct a SWOT analysis for a new law firm started by recent law school graduates.
 - (c) What guidelines should be taken into account when undertaking a SWOT analysis?
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QUESTION 4

- (a) How does the law attempt to make attorneys-at-law accountable to clients for the handling of clients' funds?
 - (b) Outline the benefits to the client and the law firm to be derived from the proper operation of the client's trust account.
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QUESTION 5

You are a recently qualified attorney-at-law who has just joined a law firm. The office manager is a seasoned veteran who believes that staff are lazy, want more pay for less work and are not committed to the firm. The Managing Partner

believes that you can contribute fresh ideas and a different perspective and asks you to identify:

- (i) the best practices for managing people and motivating them to commit themselves to the firm; and
- (ii) the advantages and characteristics of effective teamwork.

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 returned in 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 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) Prepare the Bank Reconciliation Statement at March 31, 2004.
 - (b) What is the purpose of the bank reconciliation?
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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, 2006.

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	\$M		
Trade Accounts Payable	16.00		
Accrued admin expenses	<u>8.00</u>		
		<u>24.00</u>	
Net Current Assets			<u>338.00</u>
			<u>485.00</u>
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>		
			<u>485.00</u>

- (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	\$70.00M
November	\$74.00M
December	\$84.00M

- (b) The following purchases are expected to be made:

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

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 \$186.00M 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 \$45.00M 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 \$25.00M. 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 and landscaping 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 \$15.00M in October.
- (h) The company is to receive interest income of \$5.00M quarterly on its investment in Government paper in December, March, June and September.

- (i) The company is to receive commissions of \$30.00M in the following manner.

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

- (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 \$10.00M 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 \$75.00M 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 \$15.00M in February 2007 and \$60.00M in February 2008.

- (l) Administrative expenses are \$10.00M monthly and are paid one month after being incurred. This figure includes monthly depreciation of \$2.00M.

Required:

- (a) Prepare a cash budget for the quarter ending December 31, 2006.
- (b) What are some of the strengths and weaknesses highlighted in the information used to prepare the budget?

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 at March 31, 2004

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 year.

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.
- (b) What does the debit and credit balances in the current accounts of Road and Street respectively at April 1, 2003 mean?

(c) What are the characteristics of a limited partner?

QUESTION 9

The following trial balance relates to Mary Jones at March 31, 2006

	\$M	\$M
Wages & 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	
Traveling 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		999.00
Provision for bad debts		<u>6.00</u>
Drawings	<u>8.00</u>	
	<u>2659.40</u>	<u>2659.40</u>

- (i) The closing stock is \$150.00M.
- (ii) Ms. Jones withdrew goods valued at \$2.57M for her personal use.
- (iii) The following amounts were owing at March 31, 2006 wages and salaries \$1.00M and office expenses \$1.00M.
- (iv) Investment income receivable amounts to \$5.00M.
- (v) Prepaid insurance at March 31, 2006 is \$0.30M.
- (vi) Provision for bad debts represents 1% of debtors.

- (vii) Mary 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

Land is valued at \$100.00M

Required:

- (a) Prepare the Trading and Profit & Loss account for Mary Jones for year ended March 31, 2006.
- (b) A Balance Sheet as at March 31, 2006.
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