

FINAL DRAFT

COUNCIL OF LEGAL EDUCATION

NORMAN MANLEY LAW SCHOOL

LEGAL EDUCATION CERTIFICATE
SECOND YEAR EXAMINATIONS, 2007

LAW OFFICE MANAGEMENT, ACCOUNTING AND TECHNOLOGY

(FRIDAY, MAY 25, 2007)

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 a separate answer booklet.**
- (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

- (a) Construct a SWOT analysis for a model Caribbean law firm in 2007.
 - (b) Summarize the key guidelines for managing people in a law firm.
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QUESTION 2

Outline-

- (a) The key variables which shape and influence leadership and the art of good leadership with respect to those variables.
 - (b) The key characteristics of services which are common to legal services and how these affect the marketing and delivery of these services.
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QUESTION 3

Outline -

- (a) What monies must, must not and need not be paid into a client's trust account.

- (b) The practical implications for the legal profession of the provisions relating to money-laundering legislation.
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QUESTION 4

Outline the components of risk management and best practices to promote and facilitate effective risk management in a law firm.

QUESTION 5

You are an associate with a law firm, having recently graduated from law school. The firm, as part of its efforts to maintain high standards, conducts in-house training sessions from time to time. You have been requested to research and present on the applicable principles and best practices relating to –

- (i) the criteria for appraisal of professional staff;
 - (ii) the characteristics of and barriers to effective teamwork and measures which can promote such teamwork.
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PART B
ACCOUNTING

QUESTION 6

According to the Cash Book of Roslo Development Limited the company has a debit balance of \$3,000 on March 31, 2007, but this is not borne out by the Bank Statement for the same period which had a credit balance of \$5,900. An investigation into the difference yields the following information –

- (i) Dividends of \$480 had been paid directly to the bank.
- (ii) A credit transfer – Customs and Excise refund of \$520 - had been collected by the bank. The associated bank charge was \$60.
- (iii) A direct debit of \$140 for the RLC subscription had been paid by the bank.
- (iv) A standing order of \$400 for Roslo Development's loan repayment had been paid by the bank.
- (v) The company's deposit account balance of \$2,800 was transferred into the bank current account.
- (vi) Two cheques drawn in favour of T.Cod for \$500.00 and F. Rose for \$580 had been entered in the cash book but had not been presented for payment.
- (vii) Cash and cheques amounting to \$1,380 had been paid into the bank on March 31, 2007, but were not credited by the bank until April 2, 2007.

Required:

- (a) Update the cash book at March 31, 2007.
- (b) Prepare the Bank Reconciliation Statement at March 31, 2007.

QUESTION 7

June Howerton, the Controller of Pembroke Company is gathering data to prepare the cash budget for the third quarter of 2007. She plans to develop the budget from the following information -

- (i) Of all sales 10% are cash sales.
- (ii) The remainder represents credit sales which are collected in the month following the sale.
- (iii) Sales for the second and third quarters are given below. (The first three months are actual sales and the last three months are estimated sales.)

	\$
April	600,000
May	850,000
June	500,000
July	720,000
August	800,000
September	920,000

- (iv) The company purchases raw material and pays for it immediately. Estimated purchases for the third quarter are given below -

	\$
July	420,000
August	492,000
September	550,000

- (v) Monthly wages amount to \$310,000 and are paid in the month of incurrence.
- (vi) Budgeted monthly operating expenses total \$168,000 of which \$22,000 is depreciation. These expenses are paid in the month in which they are incurred.

- (vii) Dividends of \$75,000 declared on May 25 are to be paid on July 2.
- (viii) Old equipment will be sold on August 14 for \$45,000. The proceeds are to be received immediately.
- (ix) New equipment costing \$80,000 will be purchased in August and paid for in September.
- (x) An old factory is to be sold in August. The proceeds of \$6,000,000 are to be received in September.
- (xi) A legal retainer of \$200,000 is to be paid in July to the legal firm Girden, Warne & Delling.
- (xii) The cash balance on July 1 is \$300,000.

Required:

- (a) Prepare a cash budget for the quarter ending September 30, 2007.
- (b) What is the purpose of budgeting?

QUESTION 8

Roofe and Stone own a food outlet. The first financial year ended on March 31, 2007.

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

Capital -	
Roofe	\$3,000,000
Stone	\$2,400,000
Partnership salaries -	
Roofe	\$450,000
Stone	\$300,000

Drawings -	
Roofe	\$64,300
Stone	\$67,000
Current Account Balance at April 1, 2006 -	
Roofe	\$50,000 (Debit)
Stone	\$62,500 (Credit)

The partnership's net profit for the year was \$1,642,000.

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 do the debit and credit balances in the current accounts of Roofe and Stone respectively at April 1, 2006, mean?
- (c) What are the characteristics of a limited partner?

QUESTION 9

The following trial balance relates to Mary Jones at March 31, 2007 -

	\$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	
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		<u>6.00</u>
Drawings	<u>80.00</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, 2007, 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 and Loss account for Mary Jones for year ended March 31, 2007.
- (b) A Balance Sheet as at March 31, 2007.