COUNCIL OF LEGAL EDUCATION

NORMAN MANLEY LAW SCHOOL

LEGAL EDUCATION CERTIFICATE
SECOND YEAR EXAMINATIONS, 2008

<u>LAW OFFICE MANAGEMENT, ACCOUNTING AND TECHNOLOGY</u>

(FRIDAY, MAY 23, 2008)

<u>Instructions to Students</u>

(a) Time: **3 ½ hours**

(b) Answer **<u>FIVE</u>** questions, not more than **<u>THREE</u>** from any part.

(c) **<u>Answer Part A and Part B on a separate answer booklet</u>.**

(d) In answering any question, a candidate may reply by reference to the law of any Commonwealth Caribbean territory, **<u>but must state at the beginning of the answer the name of the relevant territory</u>**.

(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) Identify five (5) issues which are relevant to and influence the selection of a law firm's information technology systems.

(b) How can law firms utilize information technology so as to make it a source of competitive advantage?

QUESTION 2

"Effective risk management involves both the understanding and acceptance of lawyers and staff that compliance with procedures is critical to the performance of the firm".

What types of risk is a law firm exposed to and what procedures and best practices reduce such risks and improve its performance?

QUESTION 3

What questions must be asked and issues considered in developing an effective marketing plan for a law office?

QUESTION 4

Outline the key issues and best practices which facilitate a well run law office with respect to ANY TWO of the following:

(a) managing people
(b) delegation of work
(c) leadership
(d) compensation
(e) fees for professional services rendered
(f) what monies must, need not and must not be placed in a client's trust account.

QUESTION 5

Marcello is the definition of success. He is: a ghetto youth who earned a post graduate university degree; a musical genius who invented 'soghie' music, a blend of reggae and soca which is becoming wildly popular; an entrepreneur who owns his own brand name clothing stores, restaurants, recording studios and recording labels.

Marcello's beautiful wife Desire does not agree with this definition. She is suing him for divorce and a one half share of their assets to which she contends they both contributed. Her attorney-at-law, Olivia Curiosity, conducts a thorough inspection of documents supplied pursuant to orders of discovery which relate to Marcello's assets.

Olivia believes she has reason to suspect:

(a) he used cash from his various business ventures to finance the construction of a fabulous villa complex on Star Island, thereby defrauding the state of large sums for taxes;

(b) he invested large sums in G-Mint Ltd., an unlicensed alternative investment scheme and earned over 100% returns which he collected tax-free before the scheme crashed;

(c) he is a silent partner in an unlicensed casino gaming operation next to his restaurant; the casino is the most popular one in the country.

At a meeting with Innocent Bamboozle, Marcello's attorney-at-law, to discuss possible settlement of Desire's claim, Olivia intimates to Innocent her suspicions at (a), (b) and (c) above. Innocent professes total ignorance of the allegations. Olivia indicates she will have to make a report to the relevant authorities within 48 hours unless Innocent persuades her otherwise. Olivia hints that she could be so persuaded if Marcello agrees to a 50:50 settlement of all assets.

You are a bright young associate of Innocent's firm. He requests that you outline appropriate principles and procedures for the proper management and resolution of the issues raised in this matter.

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 2018. Projected data supporting this budget are as follows:

Sales (60% on credit)

	$
November 2017	160,000
December 2017	200,000
January 2018	120,000
February 2018	160,000
March 2018	140,000

Purchases	**$**
December 2017	86,800
January 2018	124,700
February 2018	99,440
March 2018	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, 2017, 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:

(a) Prepare a monthly cash budget for Felasco Nurseries' Southern Division for the first quarter of 2018.

(b) What is the purpose of budgeting?

QUESTION 7

Salter and Gotek are in partnership, sharing profits and losses in the ratio 3:2. The following information was taken from their books for the year ended December 31, 2007, before the completion of their profit and loss appropriation account.

Current accounts (January 1, 2007)

Salter	$64,000	(debit)
Gotek	$330,000	(credit)

Drawings:

Salter	$300,000
Gotek	$200,000

Net Profit	$6,810,000

When the business commenced 20 years ago the partners injected capital of $1,000,000 each. Salter injected capital of $500,000 on April 1, 2007 and Gotek injected capital of $750,000 on October 1, 2007. The partnership agreement stipulates that interest on capital is charged at 12% per annum

Partners salaries:

Salter	$400,000
Gotek	$250,000

Interest on drawings is at 9% per annum and the drawings was made on January 1, 2007.

Required:

(a) Prepare for the year ended December 31, 2007:

- (i) The Profit and Loss Appropriation Account for Salter and Gotek
- (ii) The Current Accounts in the ledger for Salter and Gotek.

(b) In partnership accounts why is:

- (i) interest allowed on capital; and
- (ii) interest charged on drawings.

QUESTION 8

On December 31, 2006, the bank column of C. Tench's cash book showed a debit balance of $150,000.

The monthly bank statement written up to December 31, 2006, showed a credit balance of $295,000.

On checking the cash book with the bank statement it was discovered that the following transactions had not been entered in the cash book:

- Dividends of $24,000 paid directly to the bank.
- A credit transfer representing a tax refund of $26,000 collected by the bank.
- Bank charges of $3,000.
- A direct debit of $7,000 for the Australian Law Review subscription paid by the bank.
- A standing order of $20,000 for C. Tench's loan repayment paid by the bank.
- C. Tench's deposit account balance of $140,000 which had been transferred into his bank current account.

A further investigation revealed the following items:

- Two cheques drawn in favour of T. Cod $25,000 and F. Haddock $29,000 had been entered in the cash book but had not been presented for payment.
- Cash and cheques amounting to $69,000 had been paid into the bank on December 31, 2006, but were not credited by the bank until January 2, 2007.

Required:

(a) Starting with the debit balance of $150,000 bring the cash book up to date.

(b) Prepare a bank reconciliation statement as at December 31, 2006.

(c) Briefly explain why it is necessary to prepare bank reconciliation statements on a monthly basis.

QUESTION 9

The following Trial Balance was extracted from the books of Joan Asket, a trader on December 31, 2007:

	$	$
Capital		20,271
Drawings	2,148	
Debtors	7,689	
Creditors		5,462
Purchases	62,101	
Sales		81,742
Rent and Rates	880	
Lighting and Heating	246	
Salaries	8,268	
Bad Debts	247	
Provision for bad debts at 31/12/2006		326
Opening Stock	9,274	
Insurance	172	
General expenses	933	
Bank Balance	1,332	
Motor Vehicle at cost	8,000	
Provision for depreciation of motor vehicle		3,600
Motor expenses	861	
Freehold Premises at cost	10,000	
Rent Received		750
	112,151	**112,151**

The following matters are to be taken into account:

(1) Stock in trade at December 31, 2007 is valued at $9,884

(2) Rates paid in advance at December 31, 2007 is $40

(3) Rent Receivable due at December 31, 2007 is $250

(4) Lighting and heating due at the end of the year is $85

(5) Provision for bad debt is to be increased to $388

(6) Depreciation is to be charged on vehicles at the annual rate of 20% on cost.

Required:

(a) Prepare the Trading and Profit and Loss Account for the year ended December 31, 2007.

(b) Prepare the Balance Sheet as at December 31, 2007.