

COUNCIL OF LEGAL EDUCATION  
NORMAN MANLEY LAW SCHOOL

LEGAL EDUCATION CERTIFICATE  
SECOND YEAR SUPPLEMENTARY EXAMINATIONS 2024

LAW OFFICE MANAGEMENT, ACCOUNTING AND TECHNOLOGY  
(WEDNESDAY, JULY 31, 2024)

Instructions to Students

- (a) Time: 3½ hours
- (b) Answer **ALL** questions.
- (c) Answer Part A and Part B on separate answer booklets.
- (d) In answering any question, a candidate may reply in accordance with the law of a Commonwealth Caribbean territory zoned for this school, **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 black or dark blue ink. Erasable pens are not allowed.
- (g) Calculators may be used and are provided.

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**PLEASE REMAIN SEATED UNTIL YOUR SCRIPT HAS BEEN COLLECTED.**

**PART A**  
**ACCOUNTING**

**QUESTION 1**

Timber Limited is a publicly listed company providing engineering services. The company has been in operation for a number of years and has produced the following trial balance for the year ended December 31, 2023.

	Debit	Credit	
Fee income received		590,000	
Commission received		280,000	
Interest income		120,000	
Wages & Salaries	152,500		
Stationery & Postage	72,250		
Utilities charges	124,240		
Repairs and Maintenance	53,900		
Professional fees	12,800		
Rental income		220,000	
Audit fees	70,000		
Insurance	28,000		
Interest expense	24,000		
General expenses	42,000		
Directors fees	60,000		
Receivables	220,000		
Payables		76,500	
6% Loan payable in 2028		600,000	
5% Loan - payable in 6 months		300,000	
Cash at bank	162,800		
Cash in hand	32,210		
Share Capital [\$1.00]		500,000	
Staff welfare	44,200		
Land	350,000		
Building	720,000		
Office equipment	467,000		
Provision for depreciation		93,400	
Motor vehicles	480,000		
Provision for depreciation		96,000	
Retained profits /earnings		240,000	
	<u>3,115,900</u>	<u>3,115,900</u>	

**Notes:**

- (1) Depreciation is to be charged at the following annual rates:

Equipment 20% on cost

Motor vehicles 25% on cost

The building was purchased on January 1, 2023. The directors agreed that depreciation is to be charged over 20 years. The building has an estimated residual value of \$20,000.

- (2) Insurance prepaid amounted to \$8,000.
- (3) Utility bills received, after close of the trial balance, for the year 2023 amounted to \$7,000 due and payable on January 15, 2024.
- (4) Interest on the 5% loan, although due, was not paid before end of year 2023.
- (5) The corporation tax charge on profits is estimated to be \$27,710, payable in March 2024.

**Required:**

- (a) Prepare the Statement of Profit or Loss for the year ended December 31, 2023 and a Statement of Financial Position as at December 31, 2023.
- (b) The shareholders of Timber Limited have asked the directors to declare a dividend of 15 cents per share.
- Calculate the total dividend that would be payable based on the shareholders' request and advise the directors if there are sufficient profits to pay the dividend.
- [Do not adjust the profits or include the declared dividend in the statement of financial position]***
- (c) The directors received a letter from a concerned shareholder, Patrick Pedro, who wanted to know, having reviewed the financial statements, if he would be responsible for the payment of the corporation taxes shown in the profit or loss statement. Advise the directors stating reason(s), for the basis of your advice.
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## **QUESTION 2**

The law firms of Jack & Tomas and Beach & Hyde have been in operation for five (5) and three (3) years respectively, both with financial year end of December 31, 2023. The accountant provided the following Statement of Profit or Loss but without the appropriation account.

<b>Statement of Profit or Loss</b>				
<b>For the year ended 31 December 2023</b>				
		<b>Partnership A</b>		<b>Partnership B</b>
		<b>Jack &amp; Tomas</b>		<b>Beach &amp; Hyde</b>
<b>Revenue</b>				
Partnership Fees Earned		572,000		685,000
Commission Income		300,000		215,000
Total Income		872,000		900,000
<b>Less Expenses</b>				
Depreciation charges	120,000		130,000	
Wages and salaries - Staff	340,000		320,000	
Utilities	110,000		82,000	
Motor vehicle expenses	80,000		28,000	
Consultancy fees	40,000		40,000	
Sundry expenses	10,000	690,000	30,000	600,000
Net Profit		182,000		300,000

The following matters are to be considered before preparing the required financial data for each partnership.

	<b>Jake Jack</b>	<b>Claude Tomas</b>	<b>Junior Beach</b>	<b>Lilly Hyde</b>
Partnership Salaries	40,000	30,000	50,000	60,000
Capital	230,000	140,000	500,000	300,000
Drawings for the year	40,000	50,000	60,000	80,000
Interest on Capital at annual rates	6%	6%	5%	5%
Interest on drawings at annual rates	10%	10%	8%	8%
Share of Profit	60%	40%	50%	50%

### **Required**

- (a) Prepare the partnership appropriation accounts for the year ended December 31, 2023, and the respective current accounts for each partner.

(b) You were recently called to the Bar and subsequently invited to join either of the firms of Jack & Tomas or Beach & Hyde.

Using the financial information provided on the Statement of Profit or Loss and Appropriation Accounts and Statements of Current Accounts, compute the following ratios to assist with your decision:

- (i) Net profit as a percentage of fee income
- (ii) Wages and salaries as a percentage of total income
- (iii) Total expenses as a percentage of total income

In your response, comment on the ratios you have calculated and suggest three reasons for the differences between the partnerships and three reasons for your choice of firm.

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## **PART B**

### **LAW OFFICE MANAGEMENT AND TECHNOLOGY**

**(This Part must be answered on a new answer booklet and titled Part B)**

#### **QUESTION 3**

Alice, Brian, and Collin are recent graduates of the Norman Manley Law School who aspire to establish a legal practice as a partnership. They find themselves at a crossroads because the entire process to set up a legal practice seems confusing. While they possess a general understanding of their preferred areas of legal specialization, they lack understanding on the initial steps that they need to take to make their business successful.

They have a mutual friend, David, who graduated with a Master of Business Administration with a concentration in management studies. David has emphasized the importance of preparing a comprehensive business plan for the legal practice and the importance of revenue management for their partnership.

Despite vague memories of a law school assignment related to business plans and revenue management, Alice, Brian, and Collin remain sceptical, considering such plans a potential waste of time.

In seeking guidance, they have approached you, a legal consultant, for assistance on this matter.

They have now asked you to prepare a brief memorandum. Advise them on:

- (a) the purpose(s) of a business plan and three reasons why it is advisable that they prepare a business plan for their legal practice;
- (b) the recommended content of the business plan they should prepare (they do not require you to draft a business plan at this time for the purposes of this memorandum); and
- (c) what is revenue management, two reasons why it is important, and two steps that they should take when implementing a system of revenue management within the legal practice.

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**END OF PAPER**