

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

**LEGAL EDUCATION CERTIFICATE
SECOND YEAR EXAMINATIONS, AUGUST 2022**

LAW OFFICE MANAGEMENT, ACCOUNTING AND TECHNOLOGY

TUESDAY, AUGUST 2, 2022

Instructions to Students

- (a) Duration: **24 hours**
- (b) Students shall enter their Examination ID Number **only**, not their names, on the cover page, the Academic Integrity Statement and on every separate page of the examination script.
- (c) The examination should be answered on letter-sized (8.5 x 11) paper only.
- (d) The examination should be submitted in Arial font 12 line spacing 1.5, **however, line spacing for tables/accounting reports are to be presented in accordance with accounting formats.**
- (e) Students should clearly indicate the names of any cases with the citation and legislative provision/s (section number and Act) on which they rely to support their arguments. Consider using italics and/or bold text to make references prominent. (For example, *Rylands v Fletcher* [1868] UK HL1; **s.69 Real Property Act**). Sufficient detail is required to allow the examiners to understand the source of law that is being cited.
- (f) Footnotes, endnotes and a bibliography are not to be used.

- (g) Where word limits have been given, the actual word counts must be included at the end of your answer. Students who have exceeded the word limits will be penalised.
- (h) Students shall number the pages of their examination script as follows: Page 1 of 12, Page 2 of 12, etc.
- (i) In answering any Part, 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.**
- (j) Each Student **must** ensure that their Anonymous ID in TWEN is changed to their four digit Examination ID Number, prior to submitting their examination script.
- (k) The examination script, with the cover page and Academic Integrity Statement saved in **ONE PDF DOCUMENT**, must be submitted in **ELECTRONIC** format via the **Year II AUGUST 2022 EXAMINATIONS, LAW OFFICE MANAGEMENT, ACCOUNTING AND TECHNOLOGY DROP BOX on TWEN** by **WEDNESDAY, August 3, 2022 NOT LATER THAN** 9:00 a.m. (Jamaica), 8:00 a.m. (Belize) and 10:00 a.m. (Eastern Caribbean).
- (l) To upload the examination script which has been saved as one pdf document which includes the cover page and Academic Integrity Statement, you must follow these steps:
- Go to ***www.lawschool.westlaw.com***.
 - Log in using your username and password credentials and select the **TWEN** button.
 - Click on the link for **“Assignments and Quizzes”** located on the left-hand side of the navigation screen.
 - Select the relevant examination and the examination drop box as follows:

- Year II students with Examination ID numbers between **2100 - 2181** must upload script, cover page and Academic Integrity Statement to folder titled “**Drop Box A Year II - 2100 - 2181**”.
- Year II students with Examination ID numbers between **2182 - 2263** must upload script, cover page and Academic Integrity Statement to folder titled “**Drop Box B Year II - 2182 - 2263**”.
- Year II students with Examination ID numbers between **2264 - 2345** must upload script, cover page and Academic Integrity Statement to folder titled “**Drop Box C Year II - 2264 - 2345**”.

Melanie, Garth and Fay are attorneys-at-law and siblings who practise in partnership under the name Melanie, Garth, Fay & Co. The firm has been in operation for a few years and is located at 30 Nevers Lane in your jurisdiction. The firm specializes in conveyancing, trust and estate and commercial matters, and Garth is its managing partner.

QUESTION 1

The firm generated a net profit of \$1,200,000 for the year ended December 31, 2021. The Profit or Loss Statement was presented to the firm’s management by the accountant for the annual review. The partnership appropriation account was not yet done but the following balances were provided:

1. Partnership salaries:

Melanie	-	\$160,000
Garth	-	\$140,000
Fay	-	\$100,000

2. Drawings taken at the stated dates and to be charged at the rate of 6% per annum:

Melanie	-	\$140,000 - April 1, 2021
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Garth	-	\$120,000 - September 1, 2021
Fay	-	\$ 80,000 - January 1, 2021

3. Interest on the capital balances as at January 1, 2021 to be paid at the rate of 5% per annum.

Melanie	-	\$4,000,000
Garth	-	\$2,000,000
Fay	-	\$2,000,000

4. Profits and losses to be shared in the following ratios:

Melanie	-	50%
Garth	-	30%
Fay	-	20%

5. Current account balances:

Melanie	-	\$50,000 (credit)
Garth	-	\$40,000 (credit)
Fay	-	\$30,000 (debit)

The firm's financial year runs from January 1 to December 31 each year.

Required:

- (a) From the information above, prepare the firm's appropriation account and each partner's current account as at December 31, 2021.
- (b) What do the balances, at the end of December, on the current accounts of Melanie, Garth and Fay respectively, mean?
- (c) What is the rationale for paying interest on the capital contribution of the partners?

QUESTION 2

The partners scheduled a meeting to review the financial performance of the firm for the year ended December 31, 2021.

The accountant, in preparation for the meeting, reviewed the bank statement for the month of November 2021 and noticed that the balance of (\$145,000) did not agree with the inhouse ledger bank account.

Coast Lite Bank

Bank Statement for the month of November 2021

Attorneys-at-Law Melanie, Garth, Fay & Co.

Date	Description	Debit	Credit	Balance
2021				
November 1	Balance b/f			300,000
November 2	Cheque #550	20,000		280,000
November 3	Cheque #551	26,000		254,000
November 8	Cheque # 555	22,500		231,500
November 10	Deposit		37,000	268,500
November 20	Deposit		32,000	300,500
November 21	Cheque # 556	18,805		281,695
November 28	Deposit		29,000	310,695
November 29	Wire Deposit [Direct]		250,000	560,695
November 30	Bank Charges	23,205		537,490
November 30	Standing Order – Mortgage Payment	307,490		230,000
November 30	Direct Debit – Antivirus Subscription	375,000		(145,000)

Dr			Ledger Bank A/C		Cr	
Date	Details	Amounts	Date	Details	Cheque #	Amount
Nov. 1	Balance b/f	300,000	Nov. 4	B. Payne	550	20,000
Nov. 10	M. Pierce	37,000	Nov. 26	J. Spratt	551	26,000
Nov. 20	J. Cage	32,000	Nov. 11	Hardy's Books	555	22,500
Nov. 28	Cash	29,000	Nov. 20	Water	556	18,805
Nov. 30	S. Spraggs	75,000	Nov. 21	A. Junior	557	108,000
Nov. 30	C. Panther	94,000	Nov. 25	B. Bean	559	126,200
			Nov. 30	Balance c/d		245,495
		567,000				567,000
Dec. 1 Bal. b/d		245,495				

Notes

The direct debit on November 30, 2021 represented payment for the annual subscription for the antivirus software used by the firm.

Required:

- (a) Identify the differences between the firm's ledger bank account and the bank statement, and update the ledger bank account accordingly.
- (b) Prepare a bank reconciliation statement as at December 31, 2021.

Question 3

The net profit of \$1,200,000 shown in the accounts of the partnership for the financial year ending December 31, 2021 represents an actual performance that falls significantly short of the net profit that the firm was projected to earn for the year. The disparity, which is almost wholly as a result of a significant shortfall in revenue, is a cause for concern. This is particularly so as, throughout the year, each attorney had reported having an adequate flow of work.

It has been agreed that, as managing partner, Garth should investigate and report on the causes for the shortfall and make recommendations to address any management or other deficiencies identified. The results of his investigation and his recommendations will be considered at the meeting to discuss the firm's financial performance.

You are a senior associate in the firm and work closely with Garth on client matters. Garth is particularly busy working on two very substantial commercial matters and this particular undertaking is so big that he has asked for your assistance. You recognise that a shortfall in revenue could be caused by many different factors but, as a start, you will propose that the financial management of the firm be examined, including its approach to billing and collections, and the use of the firm's electronic time-recording system.

Required:

Prepare a memorandum to Garth in which you explain the ways in which mismanagement in the areas of billings and collections, as well as time recording, could have led to the firm's underperformance in terms of revenue.

The body of the memorandum must not exceed **900 words**.

Question 4

The standing order for the mortgage payment of \$307,490, shown in the bank statement from Coast Lite Bank, is in respect of premises presently occupied by the partnership. However, the partners are considering relocating the office to premises recently inherited by Melanie, Garth and Fay from their grandfather, Marcus Lowe. If they did so, they would rent out the building that they currently occupy.

The inherited premises are in a part of the capital that used to be entirely residential but has, for the most part, been converted to business use. The building, which is old but fairly sound, is on a spacious lot and used to be the Lowe family home. It has been unoccupied, save for a caretaker who has been staying there, for the last ten years.

There is a fair amount of yard space around the house. It has six bedrooms and three bathrooms, a good-sized kitchen and a large living and dining area. There is also a verandah that wraps around the front and sides of the house. There are several steps leading up to the verandah at the front and the front door is accessed from the verandah. The other point of exit from the building is a back door in the kitchen.

Having relayed this information to you, as the senior associate working closely with him, Garth has also asked you to help him think through the case for and against using these premises as the law offices of the firm.

Required:

Prepare a memorandum to Garth in which you set out the factors that should be taken into account in any decision relating to the use of the property as the law offices of the firm, giving reasons.

The body of the memorandum must not exceed **950 words**.

QUESTION 5

The partners, having reviewed the firm's cash position, expressed some concerns on its viability.

Following a strategic retreat, the accountant was provided with the new projections for the year 2023, from which the accountant is expected to prepare a budget.

- (i) Of all fees, 20% is expected to be received in cash.
- (ii) The remainder represents credit fee income which is collected in the following month.
- (iii) Estimated fee income for the first six months of the year is given below.

\$

January	-	900,000
February	-	1,200,000
March	-	1,300,000
April	-	900,000
May	-	1,400,000
June	-	1,500,000

- (iv) The company purchases legal material, including law books, and pays for it immediately. Estimated purchases are noted below:

\$

January	-	130,000
February	-	320,000
March	-	392,000
April	-	450,000

- (v) Monthly wages amount to \$310,000 and are paid in the month incurred.
- (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) Total drawings of \$400,000 are to be taken in the month of March 2023.

- (viii) Old equipment will be sold on January 14, 2023 for \$45,000. The proceeds are to be received immediately.
- (ix) A motor bike is to be sold and transferred in May 2023. The total proceeds of \$28,000 are to be received in two tranches, a 40% deposit in March and the remaining 60% in May when the bike is transferred to the new owner.
- (x) Eco Farms Limited will make an Initial Public Offer of its shares during 2023. The subscription period is scheduled for April 15 – 25. The partners have agreed to take advantage of this investment opportunity and plan to subscribe for shares in the amount of \$500,000.
- (xi) The partners plan to attend a law conference to be held in Eaton Square, New Market in the month of June 2023. The conference fee is \$40,000 per person and 50% is due and payable in February 2023, the remainder in May 2023. The cost of travelling is estimated to be \$220,000 for all three partners and will be incurred at the date of the travel.
- (xii) New security cameras will be installed in the month of March. The cost amounts to \$350,000.
- (xiii) The bank balance on January 1 is expected to be (\$140,000) [overdrawn]
- (xiv) Investment income is expected to be earned as follows:

		\$
January	-	\$40,000
February	-	\$60,000
March	-	\$50,000
April	-	\$70,000

Required:

- (a) Prepare a cash budget for the quarter ending March 31, 2023.
- (b) Suggest three (3) ways in which a budget deficit can be remedied.

END OF PAPER