

COUNCIL OF LEGAL EDUCATION
NORMAN MANLEY LAW SCHOOL

LEGAL EDUCATION CERTIFICATE
SECOND YEAR EXAMINATIONS 2025

LAW OFFICE MANAGEMENT, ACCOUNTING AND TECHNOLOGY

(THURSDAY, MAY 22, 2025)

Instructions to Students

- (a) Time: **3 ½ hours**
- (b) Answer **ALL** questions.
- (c) **Answer Part A and Part B in 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.

PLEASE REMAIN SEATED UNTIL YOUR SCRIPT HAS BEEN COLLECTED.

PART A
ACCOUNTING

QUESTION 1

NN Techie Limited (the company) is an engineering company run by two brothers, Norman and Nigel Bartok. The company was established by their father, Nick Bartok. He is now retired and has handed the operations of the company to his two sons, who are also engineers.

A review of the operations reveals that no formal accounting process is in place, and business transactions are recorded in hard-cover notebooks by two junior clerks with little accounting experience.

The brothers are of the view that the company needs an injection of cash and have requested a loan of \$600,000 from First Bank Limited. Consequently, First Bank requested a business plan, which was submitted by the brothers. The bank has reviewed the business plan and advised that the loan has been provisionally approved. However, the loan will only be disbursed on the submission of financial statements for the first three months of the year, and a budget for the three-month period, January to March 2025, to ascertain if the company will be able to service the loan.

The brothers consulted you and confirm that the company has financial data but no proper financial statements.

They would appreciate an explanation of how the business activities, during the period January to March 2025, and set out below, should be reflected in accordance with the broad groupings of the elements of financial statements.

- (1) Deposited \$700,000 to the company's bank account, as additional capital. This sum was part of the brothers' inheritance from their grandmother.
- (2) Purchased office equipment for \$20,000 and paid by cheque.
- (3) Paid \$100,000 to the landlord for office space rental. Payment was made from the company's bank account.

- (4) Paid salaries to the administrative staff amounting to \$60,000. The payment was made from the company's bank via electronic transfer to all staff accounts.
- (5) Received professional fee income amounting to \$200,000 in cash and subscription fee income of \$20,000. The cash was received by the cashier, who used \$5,000 to purchase personal items for the daughter of one of the brothers.
- (6) Paid for stationery in cash in the amount of \$30,000.
- (7) Borrowed \$120,000 from a small finance house to pay licence fees due and payable March 31, 2025.

Norman has expressed a desire to have a better understanding of the financial performance of the company. He thinks that the undernoted table format (as illustrated) would be useful in identifying the accounts affected, the classification for each and the impact on the two main financial statements.

Business Activity	Accounts Affected	Impact on Financial Statement
Received \$2,000.00 cash for one year subscription	Increase cash by \$2,000.00	Increase assets by \$2,000.00
	Increase subscription income by \$2,000.00	Increase profits by \$2,000.00

Required:

- (a) Provide a brief explanation of the following common elements of financial statements:
 - (i) Assets
 - (ii) Liabilities
 - (iii) Owners' equity
 - (iv) Revenue

(v) Expenses

Your answer should be supported by at least two (2) examples of each.

- (b) Prepare the table for Norman using the business transactions listed at (1)-(7) above.
 - (c) Prepare an abbreviated Statement of Profit or Loss using the transactions noted at (1)-(7) above for the three-month period to March 31, 2025.
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QUESTION 2

NN Techie Limited (the company) asked you to prepare a cash budget for the first quarter of the year - January, February and March 2025 based on the following information.

Receipts

- (1) Professional fee income - \$900,000 in January, \$600,000 in February and \$800,000 in March.
- (2) Commission sales on engineering material - \$300,000 for January, \$180,000 for February and \$420,000 for March. Commission income is receivable one month following the month of sale.
- (3) Rental income from letting excess office space in the amount of \$150,000 for each of the months of January, February and March; due on the 1st of each month.
- (4) Additional capital contribution - \$370,000 in January, \$280,000 in February.
- (5) Dividend income of \$25,000 from a previous investment in shares due in March.
- (6) Receipt of 50% loan proceeds from First Bank to be credited to the company's bank account in January.
- (7) Interest income earned on the investment in Stonerock Investment Company will be received on March 31, 2025. (See item (6) below in the payments category.)

Payments

- (1) Monthly utilities of \$145,000 payable in the month incurred.

- (2) Salaries for all staff of \$400,000 payable in the month incurred.
- (3) Purchase of motor van in the amount of \$3,000,000; 60% deposit in February, 20% in March and the balance in April.
- (4) Purchase of computers in January for cash amounting to \$650,000.
- (5) Miscellaneous overheads in the amount of \$210,000; included in this amount is \$150,000 for depreciation.
- (6) The company plans to invest \$450,000 with Stonerock Investment Company on January 1, 2025, at an interest rate of 10% per year. The company will receive interest quarterly on its investment. (See item (7) above.)
- (7) Monthly payment of wage-related taxes amounting to \$75,000 payable one month in arrears.
- (8) Cash purchase of engineering books amounting to \$165,000 in February.
- (9) Payment of interest due on \$300,000 (part proceeds of the \$600,000 loan) for the period January to March 2025.

The opening bank balance amounted to \$80,000.

Required:

Prepare a cash budget for the first three months of the year (January, February and March) 2025 and advise the brothers whether the company will have sufficient cash to pay the loan interest.

PART B

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

QUESTION 3

Michael Johnson is a newly admitted attorney-at-law and he has just set up his legal practice, MJ Legal Solutions. Fresh from graduating at the top of his class from the Norman Manley Law School, Michael is determined to implement sound office management systems and to

modernise legal practice in his country, by blending traditional legal services with cutting-edge technology.

One of the first matters to be addressed is a standard form engagement letter. He is particularly concerned about the clauses in relation to fees and billing. Fees could be charged on different bases, depending on the client and the nature of the matter. Likewise, the billing arrangements may vary from matter to matter. He wants the standard letter to include appropriate options.

Additionally, Michael faces significant challenges in establishing a secure data management framework. He plans to adopt a cloud-based system to store all electronic client files, including sensitive personal data, detailed case files, and confidential communications. Michael is particularly concerned about safeguarding his clients' information against unauthorised access and potential data breaches.

Michael is also exploring the integration of artificial intelligence (AI) to enhance his practice's efficiency. Having attended several legal technology conferences, he is intrigued by AI's potential to expedite legal research, assist with document drafting, and even predict case outcomes by analysing vast amounts of legal data. Despite these benefits, Michael's peers have raised concerns about the ethical and practical implications of deploying AI in legal practice. Michael must, therefore, balance the promise of technological advancement with the imperative to uphold the highest ethical standards in his practice.

You are a summer intern at MJ Legal Solutions and Michael has asked you to do the following:

Required:

- (a) Draft appropriate fee and billing clauses for the proposed standard engagement letter which provide for two alternative fee arrangements (excluding contingency fee arrangements) and two alternative billing arrangements.
- (b) Prepare a brief memorandum to Michael, advising him on the risks and best practices associated with using cloud-based document management systems, and how he can maintain confidentiality and data security, while using these systems.

- (c) Discuss two advantages and two disadvantages of integrating AI into a legal practice like MJ Legal Solutions.

END OF PAPER