

COUNCIL OF LEGAL EDUCATION
NORMAN MANLEY LAW SCHOOL

LEGAL EDUCATION CERTIFICATE
SECOND YEAR SUPPLEMENTARY EXAMINATIONS 2025

LAW OFFICE MANAGEMENT, ACCOUNTING AND TECHNOLOGY
(TUESDAY, AUGUST 5, 2025)

Instructions to Students

- (a) Time: 3½ 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

You recently received a phone call from two friends of yours, Peter Postgate and Michelle Mangare.

Peter is the managing director of Hardware Distributing Limited (the Company), which has been expanding over the last few years.

Michelle was invited by Peter to invest in the Company, and she has expressed a willingness to do so. The day-to-day activities of the Company are managed by Peter. He has offered Michelle a 20% stake in the Company at a share price of \$1.50 per share.

Michelle asked for a current statement of financial position, as she would like to review the Company's financial position before investing.

Although Peter's accountant is on vacation, he was able to provide the following information for 2024.

Share capital	1,000,000
Undistributed profits/retained earnings	100,000
Profit for the year	30,000
Machinery	1,200,000
Furniture	200,000
Computers	330,000
Motor van	500,000
Inventory	800,000
Receivables	700,000
Cash in hand	10,000
Cash in bank	170,000
Provision for accumulated depreciation	
Machinery	480,000
Furniture	80,000
Computers	220,000
Motor van	300,000
Short term loan	310,000
Payables	560,000
Accrued expenses	190,000
Long term 8% loan	640,000

Notes

- (1) The long-term loan is repayable in equal instalments over five years. Interest is payable at 8% per annum on the initial amount loaned of \$800,000.
- (2) The book value of each share is \$1.00.
- (3) The Company has a 20% market share of the hardware distributing market.
- (4) The market value of an equity share in a similar company in the built industry is \$1.25.
- (5) Peter also provided the following abbreviated profit or loss information:

Total revenue	\$3,000,000
Cost of sales	\$1,200,000
Overheads	\$1,500,000

Details of the overheads are:

Salaries & wages	\$ 900,000
Utilities	\$ 200,000
Entertainment	\$ 300,000
Other expenses	\$ 100,000

Required:

- (a) Prepare the statement of financial position as at December 31, 2024.
- (b) Compute the following ratios and advise Michelle whether she should accept the offer to invest in the Company and, if so, how many shares she would own.
 - (i) Gross profit margin
 - (ii) Net profit margin
 - (iii) Working capital ratio
 - (iv) Debt-to-equity ratio

You may support your answer with any additional information from the financial data provided.

QUESTION 2

Kensington Management Services (known in the market as “KMS”) offers corporate strategy training to newly formed business entities.

As of February 28, 2025, KMS’s in-house bank balance per the general ledger is \$126,000 (debit balance). The bank statement for the same period received from Fourth Avenue Commercial Bank reported a closing balance of \$184,000 (credit balance).

Resulting from an audit of the bank statement and the in-house bank account, per the general ledger, the following differences were identified:

- (1) Late lodgements in the amount of \$269,000.
- (2) The interest earned on the chequing account during the month was \$5,000. This was not recognised in the in-house bank account.
- (3) Unpresented cheques totalled \$354,000.
- (4) During February, a cheque payment of \$32,000 was entered in the in-house bank account for \$23,000. The bank honoured the cheque for the correct amount of \$32,000.
- (5) Bank charges of \$12,600 were reflected on the bank statement but not recorded by the accounting clerk.
- (6) The standing order for insurance payment of \$16,000 was not recorded in the in-house bank account.
- (7) A customer wired \$67,600 to the KMS’s bank account for a long-standing receivable without notifying KMS.
- (8) The bank erroneously charged a cheque for \$104,000 from another business entity, Keystone Management Company, to KMS's bank account.
- (9) The bank reversed a \$55,000 cheque deposit after receiving an insufficient funds notice from the bank of KMS’s customer. This was not recorded in the in-house bank account.
- (10) The accounting clerk discovered that cheque number 4567, which the bank honoured and withdrew from KMS’s bank account, was fraudulently authorised by the bank’s teller despite being told that the cheque did not belong to KMS. The cheque amounted to \$13,000.

(11) The bank incorrectly withdrew \$110,000 from KMS's account, which was notified after the statement date. This was not recorded in the in-house bank account.

Required:

- (a) Based on the information above, prepare:
 - (i) an adjusted bank balance as at February 28, 2025; and
 - (ii) a bank reconciliation statement as at February 28, 2025.
- (b) Provide a brief explanation to the owners of KMS of the primary purpose of bank reconciliations, including why late lodgements and unpresented cheques result in reconciliation differences.

PART B

LAW OFFICE MANAGEMENT AND TECHNOLOGY

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

QUESTION 3

Gabriella, Tristan and Khalil are recent graduates of the Norman Manley Law School, who share a vision of creating an innovative legal practice as a partnership.

Despite their enthusiasm and academic success, the trio is quickly learning that running a law firm involves far more than legal acumen.

They have successfully registered their firm name, GTK Legal, secured office space in the City Centre and begun to accept client matters. However, several ethical and procedural challenges have emerged, which have reinforced the need for proper office management systems.

Firstly, Tristan was approached by a large construction firm to defend it against a claim for breach of contract. Shortly afterwards, Gabriella received a referral from an individual seeking legal advice about a potential wrongful dismissal claim against the same construction firm. Neither

Tristan nor Gabriella realised the connection until they compared notes on the matters on their desks over lunch one day. Now they are having to find a solution to the problem, and it has reminded them of the need for an effective conflict of interest checking system to avoid it arising in the future.

Secondly, Khalil is concerned that certain behaviours and practices of their staff pose a threat to client confidentiality. While they have focused on the dangers to confidentiality posed by the use of technology, they recognise that breaches can occur in other ways.

Thirdly, in another client matter, Tristan provided a written undertaking to a financial institution to pay a sum of money in discharge of a mortgage. He then discovered that the cheque for the amount, which the firm had received from the client before he issued the undertaking, had been returned by the bank. Fortunately, the client has since transferred the required funds to the firm's clients' account, but Tristan is disturbed by what might have happened if this had not occurred.

All three partners are agreed on the need to ensure that GTK Legal operates ethically and in full compliance with the law. They have, therefore, approached you, a seasoned legal consultant with extensive experience in law practice management, for guidance.

Gabriella, Tristan and Khalil have asked you to begin by giving them advice on the following:

- (i) the characteristics that any conflict-of-interest checking system implemented by GTK Legal should have, in order to detect potential conflicts and minimise the chances of the firm being involved, unintentionally, in a conflict-of-interest situation;
- (ii) the protocols that they should implement in the office to mitigate the risk of the leak of confidential information other than through the use of technology; and
- (iii) the practical steps GTK Legal should take to manage and fulfil professional undertakings, ensuring compliance with professional standards and mitigating the associated risk to the firm.

Advise them.

END OF PAPER