

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

**LEGAL EDUCATION CERTIFICATE
SECOND YEAR EXAMINATIONS 2026**

LAW OFFICE MANAGEMENT, ACCOUNTING AND TECHNOLOGY

(THURSDAY, MAY 14, 2026)

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

Global Benjamin Limited (“Global” or “the Company”) is a limited liability company selling engineering equipment. The Company has been in operation since 1980. It started as a Small and Medium-sized Entity (SME) but has since grown beyond SME size.

George Stalls is the Chief Executive Officer (CEO) and he is supported by a management team of five senior executives. The Company’s board of directors is comprised of six members. The directors are each paid \$30,000 per month as directors’ fees to attend meetings. The company secretary attends all meetings and is paid \$20,000 per meeting. The Company holds monthly directors’ meetings.

Executive compensation (including that of the CEO) amounts to \$400,000 monthly and is paid on the 25th day of each month.

The Company is seeking a loan of \$10,000,000 to finance rural expansion. The Company’s bank has asked for a budget for the first three months from January to March 2027. In order to prepare the budget, the accountant provided the following additional cash flow transactions.

Other Cash Flow Transactions

(i) Sales expected for the period are as follows:

January	\$5,000,000
February	\$6,000,000
March	\$8,000,000

Fifty per cent (50%) of each month’s projected sales will be received in cash, with the remaining balance received in the following month.

(ii) Commission income of \$1,200,000 is expected in February.

(iii) The Company does not occupy the entire building and the unused space will be rented as an office at a monthly rate of \$200,000. Rent is due on the 1st of each month.

(iv) The Company currently earns investment income amounting to \$120,000 each month, received in the month earned.

(v) Old equipment is to be sold in March for \$220,000. Receipt of the sale proceeds is expected in the month of March.

(vi) Planned expenditures are as follows:

- Purchase of inventory from supplier, Grange Limited, as follows:

January \$3,000,000

February \$3,600,000

March \$4,800,000

Due to the long-standing relationship, the Company enjoys a 30-day credit on all purchases.

- Overheads of \$2,000,000 to be incurred monthly, and paid in the month incurred.
- Non-executive remuneration of \$1,600,000 payable in the month incurred.
- Taxation payable in February and March amounting to \$500,000 each month.
- The Company plans to purchase a pick-up truck in February for \$700,000. A 25% deposit required on placing the order, with the balance payable in equal amounts in the months of March and April.
- Depreciation to be provided on the pick-up truck at the rate 20% per annum.
- The CEO plans to attend a conference in January; the cost of attendance is \$360,000.
- Insurance premiums due and payable in January amounting to \$700,000.

The Company has an opening bank balance of \$1,800,000.

Required:

- (a) Using the information above, including the executive and director remuneration data, prepare a cash budget for the quarter ending March 31, 2027.
- (b) Global received a bank statement as at March 31, 2026, with a closing balance of \$288,000. On review of the in-house bank account, it shows a closing balance of \$300,000, a difference of \$12,000.

Using Exhibits 1 & 2 provided below, prepare an updated in-house bank balance starting with \$300,000 and a bank reconciliation statement as at March 31, 2026.

Exhibit 1

Bank Statement			Dr	Cr
1-Mar	2026	Opening balance		650,000
5-Mar		J. Brown		110,000
15-Mar		Lewis		40,000
15-Mar		Cheque #1001	500,000	300,000
20-Mar		Cheque #1002	135,000	165,000
25-Mar		Receipt		200,000
25-Mar		Wire Receipt		30,000
25-Mar		Direct Deposit		10,000
		Service Charge	22,000	383,000
		Standing Order	63,000	320,000
31-Mar		Cheque #1875	32,000	288,000

Exhibit 2

Bank Account					
1-Mar	Bal b/f	650,000	10-Mar	Inland Revenue-001	500,000
4-Mar	Receipt - J Brown	110,000	15-Mar	Utilities - 1002	135,000
10-Mar	Receipt -Lewis	40,000	20-Mar	Jackson - 1003	160,000
20-Mar	Receipt -Income	200,000	31-Mar	Williams - 1004	305,000
31-Mar	Receipt	<u>400,000</u>	31-Mar	Bal c/d	<u>300,000</u>
		<u>1,400,000</u>			<u>1,400,000</u>
	Bal b/d	300,000			

On further review, it was discovered that cheque #1875 in the amount of \$32,000 was incorrectly debited to Global's chequing account.

QUESTION 2

- (a) Len Quik and Brian Land trade as partners in Lucky Land Manufacturing, making components for computers.

The partnership agreement provides for the following:

Interest on drawings to be charged at 6% per annum

Interest on capital is allowed at 8% per annum

Len is to receive a salary of \$30,000

Brian is to receive a salary of \$20,000

Profit and Losses to be shared in the ratio 2:1

Other relevant information

Capital Contributions

Len Quik \$800,000

Brian Land \$400,000

Current accounts balances

Len \$30,000 credit balance

Brian \$10,000 credit balance

Drawings for the year

Len \$40,000

Brian \$20,000

Net profit for the period is \$600,000.

All drawings were taken at the beginning of the year.

The firm's financial year ends December 31.

Required:

Prepare the partnership appropriation account for the year ended December 31, 2025 and each partner's current account at December 31, 2025.

(b) The owners of Haulston Company Ltd. (Haulston) approached Picket Ltd. to purchase two of Haulston's subsidiaries.

Required:

- (i) Calculate the following ratios for each subsidiary, using data provided in Exhibit 3 below.
- Gross profit margin
 - Net profit margin
 - Expense ratio
 - Current ratio
- (ii) Comment on the performance of each, and advise if any subsidiary should be considered for acquisition. (Maximum 60 WORDS)

Exhibit 3

	<u>Subsidiary 1</u>	<u>Subsidiary 2</u>
Revenue		
Sales	200,000	300,000
Cost of Sales	<u>80,000</u>	<u>90,000</u>
Gross Profit	120,000	210,000
Less Expenses		
Operating Expenses	40,000	80,000
Depreciation	10,000	30,000
Salaries & Wages	50,000	60,000
Interest Expense	12,000	-
	<u>112,000</u>	<u>170,000</u>
Net Profit	<u><u>8,000</u></u>	<u><u>40,000</u></u>
Other relevant information		
Share capital	300,000	200,000
Retained earnings	<u>50,000</u>	<u>55,000</u>
Total Equity	<u><u>350,000</u></u>	<u><u>255,000</u></u>
Long Term Loan	130,000	-
Current assets	200,000	140,000
Current Liabilities	100,000	80,000

PART B

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

QUESTION 3

Patterson Clarke & Associates is a mid-sized law firm in your jurisdiction that has been in operation for over 20 years. The firm has three partners: Grace Patterson, the managing partner, who focuses on commercial transactions and real property; Neville Clarke, who leads the litigation department; and Sandra Webb, who handles family law and estate planning.

The firm has experienced significant growth in the past five years, and now serves a broad client base that includes corporate entities, small businesses and individual clients. Despite this growth, the firm's approach to billing and revenue management has not kept pace with the demands of the practice. The firm relies entirely on manual processes for time recording, billing and invoicing. Each attorney-at-law records time on handwritten time sheets, and bills are prepared by the secretary of each attorney-at-law using word processing software. There is no centralised system for tracking billable hours, generating invoices, monitoring accounts receivable or reconciling payments received against outstanding bills.

Over the past six months, this manual approach has given rise to a series of problems. Several bills have been sent to clients with incorrect amounts, duplicate entries or missing descriptions of work performed. Three corporate clients have formally complained about billing errors, and one client, Greystone Holdings Limited (Greystone), has withheld payment of an outstanding invoice of \$450,000 pending an audit of the charges. A senior associate, Cheryl Francis, recently discovered that she had failed to bill a client for over 70 hours of work on a commercial transaction because her handwritten time sheets had been mislaid. Another senior associate, Keith Browne, billed a client at a partner's hourly rate instead of his own, resulting in an overbilling of \$120,000 that was only caught when the client queried the invoice.

The billing problems are compounded by the fact that the firm has not given serious consideration to alternative fee arrangements. All matters are billed strictly on a time-spent basis using hourly rates. Several corporate clients have expressed dissatisfaction with this approach

and have asked whether the firm can offer fixed fees for routine transactions, or capped fees for ongoing advisory work. Greystone, the firm's largest client, recently informed Grace Patterson that it is considering moving its legal work to a competing firm that has offered it a blended rate arrangement and monthly fixed-fee retainer for routine corporate advisory services. Grace acknowledged the concern but told the client that the firm was "not set up for that kind of billing", and promised to revisit the issue.

Separately, the firm has been slow to adopt technology that could improve the efficiency of its legal work and reduce the volume of billable hours spent on repetitive tasks. The associates have observed that a significant portion of their time is consumed by tasks such as reviewing standard form contracts, preparing routine correspondence, summarising lengthy documents and conducting preliminary legal research. Keith estimated that he spends roughly 12 hours per week on tasks that could be completed more quickly with the assistance of technology. He raised this with Sandra during a staff meeting, suggesting that the firm explore the use of generative AI tools to assist with legal research, document review and drafting. Sandra responded that the firm had "no policy on that sort of thing" and that she would not want anyone using tools she did not understand.

Despite the absence of any firm-wide policy or approval, one of the junior associates, Daniel Vega, had been using a publicly available generative AI chatbot for approximately eight months. He had been uploading confidential client documents, including draft agreements, witness statements and financial summaries, to the chatbot to assist with his research and drafting work. Daniel had not informed any of the partners about his use of the tool. When Grace became aware of this during a staff meeting, she sought technical assistance. She was advised that the information uploaded by Daniel would have been stored on the third-party provider's servers, and may have been used to train the AI model, meaning that it was no longer within the firm's control.

Three weeks ago, the firm suffered a data breach. An unknown third party gained unauthorised access to the firm's network and extracted a substantial volume of client data, including personal identification documents and financial records of over 200 clients. The breach was not detected by the firm itself but was brought to its attention one week ago by Greystone, whose chief

financial officer noticed that confidential merger documents, which had only been shared with the firm, were circulating on an online forum. The partners have been unable to determine the full extent of the data compromised or precisely when the breach occurred, in part because the firm does not maintain access logs or audit trails for its electronic systems. The firm does not have a data breach response plan, has not appointed a data protection officer and has not conducted data protection training for its staff in over five years.

You are the newest associate joining the team at Patterson Clarke & Associates, following your high marks at the Norman Manley Law School. You have been asked by the partners to prepare a memorandum in which you:

- (a) identify TWO generative AI tools you would recommend to improve efficiency and reduce the costs associated with repetitive legal work within the law firm, and discuss TWO advantages and TWO disadvantages of these AI tools;
- (b) identify and explain TWO alternative fee arrangements that the firm could adopt in place of, or alongside, its current hourly billing model. (For each arrangement, provide ONE advantage and ONE disadvantage.);
- (c) identify and discuss TWO billing software solutions that the firm could implement to address its current billing difficulties; and
- (d) explain THREE of the most significant aims of data protection practices within a law firm, and set out a checklist of FIVE significant steps that Patterson Clarke & Associates should take to safeguard the personal information of its clients going forward.

END OF PAPER