

COUNCIL OF LEGAL EDUCATION
NORMAN MANLEY LAW SCHOOL

LEGAL EDUCATION CERTIFICATE
SECOND YEAR EXAMINATIONS, 1993

OFFICE MANAGEMENT AND ACCOUNTING
(Thursday May 29, 1993)

Instructions to Students:

- (a) Time 3 1/2 hours
- (b) Answer FIVE questions not more than THREE questions from each part.
- (c) Questions selected from PART B must be answered on a separate answer booklet.
- (d) In answering any question a student may reply by reference to the law of any Commonwealth Caribbean territory, 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) Non-programmed calculators may be used.

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PART A

Question 1

You are one of three partners in the law firm of Law, Case and Suit. The firm employs two associates, three secretaries, a messenger/search clerk, an office helper and receptionist/telephone operator. The secretaries work in a pool for all five attorneys-at-law.

The administrative duties of the firm are attended to by any of the partners whenever they can spare the time to do so.

The firm has been operating at a loss although it has an impressive clientele and enough work to make it financially successful. There are numerous complaints from clients about delays in having their matters dealt with and the poor service provided by the support staff. The partners are satisfied that the problems are as a result of their failure to conform with proper business practices and methods and management techniques.

Advise your partners on the functions of office management and explain how their application to the situation existing within the firm could solve the problems.

Question 2

An audit of the accounts of the law firm of Slack and Tardy for the 3 years it has been in operation reveals that trust funds are not separated from funds used for the general operation of the firm. Although at the end of the period audited there was enough money to account for the total funds being held in trust for clients, there were points in time over the period when there were significant shortfalls in the total due to clients.

The partners operated on the assumption that fees earned were sufficient to cover their operating expenses and to allow for "small advances" on behalf of clients. Until they read the Auditor's Report the partners were not aware of the unsatisfactory situation regarding the collection of fees billed.

The partners are embarrassed by the Auditor's Report and seek your advice.

Advise on what management systems they need to implement in order to prevent a recurrence.

Question 3

" An attorney-at-law does not need to advertise in the conventional sense. He can successfully promote his practice through the use of modern technology and emphasis on professional standards in the management and operation of the firm."

Discuss.

Question 4

You have just graduated from Law School and are about to set up your practice. You are interested in employing a secretary as distinct from a typist and expect a fairly large number of applications.

- (i) Describe the methods that you would employ in making your selection.
 - (ii) What qualities would you expect in such a secretary.?
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PART B

Question 5

The following is a summary of the Receipts and Payments of Success Club for the year ended December 31, 1992:

	Receipts \$	& Payments (\$000)	\$
Balance b/f	2,680	Suppliers of Liquor	14,150
Subscription	8,450	New Furniture	600
Liquor Sale	18,400	Dance & Social expenses	2,690
Sale of furniture	150	Rent & Rates	6,450
Dances & Socials	3,470	Wages	5,200
		Light & Heat	1,060
		Insurance	80
		Postage & Stationery	180
		Balance c/f	2,740
	<u>\$33,150</u>		<u>\$33,150</u>
	=====		=====

Notes (\$000)

(1) The assets and liabilities on January 1, 1992, not stated elsewhere, were:

Liquor Stocks \$210, Subscriptions outstanding for previous year \$200, Insurance prepaid \$30, Furniture and equipment \$4,300, Creditors for Liquor \$1,500.

(2) The subscription received included \$150 relating to the previous year of account. The remainder of the subscriptions for that year was written off as bad debt.

- (3) On December 31, 1992, \$450 subscriptions were outstanding for the subscription of the current year.
- (4) The furniture sold during the year had a book value of \$90.
- (5) The payment for insurance is a yearly premium paid on July 1 each year.
- (6) Depreciation of \$250 is to be written off furniture and equipment.
- (7) Liquor Stocks were valued \$1,800 at December 31, 1992.
- (8) Owing to Creditors and for Light and Heat at December 31, 1992, were \$1,750 and \$270 respectively.

Required:

Prepare the Income & Expenditure Account for the year ended December 31, 1992, and the Balance Sheet at that date.

Question 6

Q.4

According to the Cash Book of Pleasure and Co. Ltd. the Company had a credit balance at Bank of \$3,800 on June 30, 1992, - but this did not agree with the Bank Statement of the same date. An investigation into the difference yields the following information :

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- (1) A standing order for a charitable subscription of \$400 had been paid by the bank on June 29 but no entry had been made in the Cash Book.
- (2) A cheque paid for advertising on June 10, for \$1,790 had been entered in the Cash Book as \$1,970.
- (3) Lodgement of \$16,800 were made on June 30 but were not credited by the bank until July 2.
- (4) Cheques for \$10,370 sent to creditors on June 30 were not paid by the bank until July 6.
- (5) On June 20, a cheque for \$1,140 was received from a customer in settlement of an invoice for \$1,200 and lodged into the bank. An entry of \$1,200 had been made in the Cash Book Bank Column.

Required:

- (a) Reconcile the Cash Book Balance with what, in your view, the Bank Statement Balance was on June 30, 1992.
 - (b) What figure would appear in the Balance Sheet as Cash at Bank on June 30, 1992 ?
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Question 7

(a) A & B were in partnership sharing profits and losses equally. They decided to admit C who would pay \$20,000 as Capital and \$5,000 for his share of the goodwill and would receive 1/4 share of the profit. As between A & B they decided that as from the date of admission of C, they would share profit and losses in the ratio of 3:2.

Required:

How should the goodwill be shared between A & B?

(b) A, B & C are young attorneys-at-law who have decided to enter into partnership and to share profits in Capital sharing ratio. Decision was also taken that each should contribute capital of \$20,000. Their contributions were as follows:

	A	B	C	Total
Jan. 1	\$10,000	-	4,000	14,000
April 1	-	8,000	-	8,000
May 1	5,000	10,000	12,000	27,000
Oct. 1	-	-	4,000	4,000
Nov. 1	5,000	2,000	-	7,000
	<u>\$20,000</u>	<u>\$20,000</u>	<u>\$20,000</u>	<u>\$60,000</u>
	=====	=====	=====	=====

The profit for the first year was \$80,000

Required:

What amount of the profit should each partner receive?

Question 8

The following month by month forecast of profitability of Success Ltd. for May to September, 1992, and other relevant information (with \$000 omitted) are given below:

	May	June	July	August	Sept.
Material Consumed	2,400	2,800	3,200	4,080	3,600
Wages	1,280	1,280	1,280	1,600	1,280
Depreciation	280	280	280	280	280
Factory expenses	200	200	200	200	200
Rent	120	120	120	120	120
Salaries & Office Expenses	1,280	1,280	1,280	1,280	1,280
Advertising & Publicity	480	560	400	640	800
Sales Commission	320	360	400	520	440
	6,360	6,880	7,160	8,720	8,000
Profit	40	320	840	1,680	800
<i>Sales</i>	\$6,400	7,200	8,000	10,400	8,800
Raw Material c/f	2,800	3,200	3,600	2,800	3,200

The following additional information is given -

- (1) On average payment is made to suppliers one month after delivery.
- (2) The lag in payment of wages is $1/8$ month.
- (3) Factory Expenses are paid during the month incurred.
- (4) Rent is paid quarterly on the last day of March, June, September and December.
- (5) Salaries and Office Expenses are paid in the month in which they arise.
- (6) Credit of two months is usually given for advertising and publicity.
- (7) Sales Commission is paid one month in arrears.
- (8) Debtors are usually two months in arrears
- (9) Cash Balance is expected to be \$1,040 on June 30.
- (10) In September \$600 will be paid for Machinery.
- (11) A dividend and tax there-on amounting to \$120 will be paid in August.
- (12) Investment Grant of \$400 will be received in September.

Required:

Prepare a Cash Budget for each of the three months to September 30 with a total column.
