

COUNCIL OF LEGAL EDUCATION
NORMAN MANLEY LAW SCHOOL
LEGAL EDUCATION CERTIFICATE
SECOND YEAR EXAMINATIONS, 1999

OFFICE MANAGEMENT AND ACCOUNTING

(Monday, May 24, 1999)

Instructions to Students:

- (a) Time 3½ hours
- (b) Answer **FIVE** questions, not more than **THREE** questions from any part.
- (c) **Questions selected from Part B must be answered on a separate answer booklet.**
- (d) In answering any question, a candidate 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) Calculators may be used.

PLEASE REMAIN SEATED UNTIL YOUR SCRIPT HAS BEEN COLLECTED.

PART A**OFFICE MANAGEMENT****QUESTION 1**

An attorney-at-law engages you to represent him in an action against him for breach of an undertaking to pay money in a conveyancing transaction upon the happening of a certain event which has taken place.

His instructions are that -

- (a) he gave the undertaking;
- (b) he has not been able to comply with its terms;
- (c) the reason is the default of a third party on whose undertaking he relied;
- (d) he wishes to defend the claim on the ground that his conduct of the transaction is absolutely consistent with the prevailing practice.

Advise him on -

- (i) the chances of successfully defending the action, and
 - (ii) his potential exposure to disciplinary proceedings.
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QUESTION 2

Three newly admitted attorneys-at-law engage you to advise them about setting up a small law firm. They are planning to operate through the medium of a limited liability company in which they propose to offer shares to their relatives in order to raise capital. Advise them on their plan and how they should go about ascertaining and meeting their capital needs.

QUESTION 3

"Lawyers are professionals and not service providers or mere traders. As such they should not concern themselves with the indignities of the marketplace."

Discuss this statement.

QUESTION 4

- (a) You have decided to go into practice in partnership with a good friend. Discuss how you would go about determining where the offices should be located, the type of work that the firm would undertake and the means by which you would seek to market the services of the firm.
- (b) What arrangements would you make for the banking needs of the firm/partnership?
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PART B**ACCOUNTING****QUESTION 5**

The Budgeted Revenue Income and Expenditure of J.R. Crooks & Company for January - September 1999 is as follows -

	Cash Sales	Credit Sales	Direct Wages	Purchases	Overhead Excluding Sales Commission
1999	\$	\$	\$	\$	\$
January	1,600	21,000	4,000	11,000	2,400
February	1,500	22,000	4,000	11,600	2,600
March	1,560	28,000	4,400	14,400	2,400
April	1,840	26,400	4,800	17,800	3,000
May	1,200	28,600	4,800	16,400	2,800
June	1,360	32,800	5,200	12,800	2,600
July	1,680	23,800	5,000	11,000	2,800
August	1,640	31,200	5,200	9,800	2,800
September	1,900	34,000	6,000	14,800	3,000

The following additional information is given -

- (a) Salesmen receive a commission of 5% on all sales, to be paid during the month following the actual sales.
- (b) Approximately 75% of the debts are collected in the months following the sale and the remaining debtors will normally settle their accounts two months after sales.
- (c) On average, about one quarter of the direct wages are outstanding at the end of each month.
- (d) Suppliers will normally allow one month credit.
- (e) It is assumed that the overhead expenses are paid in the month in which they are incurred.
- (f) The capital expenditure budget shows that plant and machinery costing \$16,000 will be purchased during May and paid for two months later.
- (g) The balance of Cash at Bank on September 30 is forecast as \$34,116.

REQUIRED:

- (i) Prepare the Cash Budget for the six months ending September 30, 1999.
- (ii) The Manager, who has no knowledge of accounts, has asked you to list the reasons why the total of the net budgeted cash

inflow/outflow for the six months does not agree with the budgeted net profit for the same period.

QUESTION 6

According to the Cash Book of Lubsy Ltd., the company has a credit balance at the bank of \$3,800 on June 30, 1998 but this is not borne out by the bank statement of the same date. An investigation into the difference yields the following information -

- ✓ (a) 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.
- ✓ (b) A cheque paid for advertising on June 10 for \$1,790 had been entered in the Cash Book as \$1,970. *180*
- (c) Cheques for \$10,370 sent to creditors on June 30 were not paid by the bank until July 6. *unreconciled cheques*
- (d) Lodgments of \$16,800 made on June 30 were not credited by the bank until July 5. *late lodgments*
- ✓ (e) On June 20, a cheque for \$1,140 was received from a customer in settlement of an invoice for \$1,200 and lodged in the bank. An entry of \$1,200 had been made in the Cash Book bank column. *1140*

1,200 → was agreed

REQUIRED -

- (i) Prepare a statement reconciling the Cash Book Bank Balance with the Bank Statement Balance at June 30, 1998.
 - (ii) What figure would appear as Cash at Bank on the Balance Sheet at June 30, 1998?
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QUESTION 7

Pleasure Ltd. has a Fleet of Lorries which cost \$186,600. At December 31, 1997, the Provision for Depreciation stood at \$92,600. The rate of depreciation was 20% per annum on the original cost and the accounts are balanced at half-yearly intervals.

On March 31, 1998, Lorry No. 1 which had cost \$12,000 on July 1, 1995, was sold for \$7,200. On October 1, 1998, Lorry No. 5 was purchased for \$21,600.

REQUIRED -

Prepare the Fleet of Lorries Account, the Provision for Lorries Account and the Disposal of Lorries Account for the year 1998.

QUESTION 8

- (a) List the advantages of Control Accounts.
 - (b) List the benefits to be derived from preparing an Aged List of Receivables at monthly intervals?
 - (c) What factors would guide you in deciding that an item of expenditure should be capitalised?
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