

LEGAL EDUCATION CERTIFICATE
SECOND YEAR EXAMINATIONS, 1989

OFFICE MANAGEMENT AND ACCOUNTING

(Thursday, June 8, 1989)

Instructions to Students

- a) Time: 3½ hours
 - b) Attempt FIVE questions but not less than TWO from any PART.
 - c) Specially ruled paper will not be required for Accounting.
 - d) Use separate answer books for Accounting and for Office Management. DO NOT WRITE ON BOTH SIDES OF THE ANSWER BOOK IN OFFICE MANAGEMENT.
 - e) It is unnecessary to transcribe the questions you attempt.
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PART A

QUESTION 1

Paula Reckless and Peter Caution, attorneys-at-law, began practising under the firm name of Reckless and Caution shortly after being admitted to the profession in March 1988.

During their first year of practice the firm handled substantial sums on behalf of their clients. The firm's accounts for the year were recently audited and the report reveals that a significant portion of the funds entrusted to them has been spent in making advances on behalf of other clients who have not made any payments to the firm. Paula admits to having authorised all the advances but states that she could not have imagined that "they would have added up to so much".

On carrying out further investigations into the matter, Peter discovers that no bills have ever been rendered for the matters in respect of which the advances were made. Although his billings and collections are at a satisfactory level, no system has ever been designed with respect to the firm's accounting functions.

Peter seeks your assistance in identifying and explaining the matters which should be considered in designing such a system.

Advise him.

QUESTION 2

(a) Your receptionist, in addition to being the first to greet persons entering your office, is also the one receiving and placing your telephone calls.

What are the qualities you would look for in employing someone to fill this position? Explain why you consider those qualities important.

(b) Discuss the importance of staffing and delegation to the efficient operation of a law practice.

QUESTION 3

"The role of the secretary as being there to assist the attorney-at-law in maximising his billable hours adequately summarises the functions of the legal secretary."

Discuss.

QUESTION 4

Tanya Nono is unemployed and is seeking to join your firm as an associate.

Until recently, she was employed on her first job as an associate with another firm but was asked to leave as after two years with them, she continued to fail to meet the earning targets set her. Her explanation to you is that there was not enough work for her and she has no idea how to attract new clients. This did not present a problem in the first year but thereafter she began to feel pressured by the partners. In any event, she did not consider it her responsibility as an associate to find work for the firm.

During the interview you observe that she does not fully appreciate the importance of proper time management and that she has no idea how to achieve this.

You are convinced, however, that Tanya is undoubtedly an able and brilliant individual and that with some guidance on the issues identified she could be an asset to your firm.

Advise her on how she may overcome these problems.

PART B

QUESTION 5

The following information relates to the business of Pleasure & Co.

- 1) Cash (including bank) on January 1, 1990 is expected to be \$1,600 in favour of the company.

- 2) Production in Units

<u>1989</u>			<u>1990</u>						
Oct.31	Nov.	Dec.	Jan.	Feb.	March	Apr.	May	June	July
600	800	920	1,030	1,400	1,280	1,120	1,000	840	760

- 3) Raw Materials used in production cost \$4 per unit. Of this one-third is paid one month before production and two-thirds in the same month as production.
- 4) Direct Labour costs \$5 per unit and is paid in the same month as production.
- 5) Variable expenses are \$3 per unit payable three-quarters in the same month as production and one-quarter in the month following production.

- 6) Sales at \$15 per unit:

<u>1989</u>			<u>1990</u>					
Oct.	Nov.	Dec.	Jan.	Feb.	March	Apr.	May	June
480	720	960	1,160	1,240	1,440	1,360	1,040	720

Debtors pay their accounts - one-fifth as a deposit in the month of the sale and the remainder two months later.

- 7) Fixed Costs are \$600 per month payable monthly (excluding \$50 per month for depreciation)
- 8) The premises are to be extended at a cost of \$12,000 and this will be paid for in February, 1990.
- 9) An Income Tax refund of \$7,400 will be received in June 1990.

Required: Prepare cash budget for six months to June 1990 showing the inflow/outflow with a total column.

QUESTION 6

The summary of the bank column in the Cash Book of Success & Co. for the year ended March 31, 1988 is as follows:

Opening Balance	b/f	=	\$ 1,954
Receipts			<u>361,537</u>
			363,491
Payments			<u>343,287</u>
Closing Balance	c/f	=	<u>\$ 20,204</u>

Examination of the Cash Book and Bank Statement at March 31, 1988 discloses the following:

- a) Cheques paid by Success & Co. totalling \$4,135 have not been presented at the bank and lodgments totalling \$3,230 on March 31, 1988 had not been recorded by the bank on its statement.
- b) Standing Orders entered in the bank statement in respect of hire purchase payments on an office gadget have been omitted from the Cash Book but are in the Bank Statement \$150 per month for twelve months.
- c) A cheque drawn for \$119 has been entered in the Cash Book as \$191.
- d) Bank charges of \$524 had not been entered in the Cash Book.
- e) A cheque for \$832 had been charged to Success & Co's bank account in error by the bank.
- f) The Bank Statement shows a balance at March 31, 1988 of \$18,025.

Required: Prepare Bank Reconciliation Statement at March 31, 1988, and state what figure would appear in the Balance Sheet.

QUESTION 7

a) From the following information prepare the Sales Ledger Control Account and the Purchases Ledger Control Account of Joy & Co:

Jan.1, 1981	Sales Ledger Balances	DR \$64,000	CR \$ 256
Jan.1, 1981	Purchases Ledger Balances	DR 236	CR 35,040

During the half year ended June 30, 1981, Sales amounted to \$185,000 including Cash Sales of \$1,000; Purchases, excluding Cash Purchases of \$2,000, was \$157,360; Cash received from Debtors was \$168,960; Cash paid to Creditors \$158,208; Discount allowed \$5,040, Returns Inward \$3,400; Returns Outward \$2,480; Discount Received \$6,592; Bills Receivable received \$7,120; Bill Payable \$960; Bill Receivable Dishonoured \$760; Bad Debts \$640; Bad Debts written off in a previous period now collected \$200. A transfer of \$26 from the Purchases Ledger Credit was made to the Sales Ledger during the period and small debit balances of \$40 were written off from the Sales Ledger to the Profit & Loss Account.

b) State the advantages to be derived from Control Accounts.

QUESTION 8

From the following list of balances of Sharpe's Appliances, prepare a Trial Balance at December 31, 1988. Indicate in a separate column to be shown immediately after the Credit Column, those items which would appear in the Trading & Profit and Loss Account and the Balance Sheet by the symbols T,P,B respectively:

Capital	\$17,000
Drawings	200
Bills Payable	500
Sundry Creditors	1,500
Furniture & Fixtures	6,000
Delivery Vans	15,000
Provision for Depreciation of Furniture & Fixtures	1,000
Provision for Depreciation of Delivery Vans	4,800
Stock at January 1, 1988	11,750
Bills Receivable	200
Sundry Debtors	3,000
Provision for Bad Debts	250
Petty Cash	50
Cash on Hand	1,300
Bank Overdraft	300
Sales	140,000
Returns Inward	1,070
Purchases	82,350
Discount Received	105
Carriage Inwards	330
Wages & Salaries	35,000
Rent	5,750
Insurance Expense	900
Postage & Telephone	800
Light & Power	600
Stationery	240
Interest Expense	25
Miscellaneous Expense	390
