

NORMAN MANLEY LAW SCHOOL
COUNCIL OF LEGAL EDUCATION

LEGAL EDUCATION CERTIFICATE
SECOND YEAR EXAMINATIONS, 1990

OFFICE MANAGEMENT & ACCOUNTING

(Monday, May 28, 1990)

Instructions to Students

- a) Time: 3½ hours
 - b) Answer THREE questions from PART A and TWO questions from PART B
 - c) Questions selected from PART B must be answered on a separate sheet.
 - 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 question you attempt.
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PART A

QUESTION 1

Lisa Labrish is employed to the firm of Rich and High as secretary to Tom Rich, one of the partners. Mike High, another partner recently met Ann Socialite at a cocktail party and had a long conversation with her during which he learnt the following:

- that Ann is a very close friend of Lisa's;
- that Ann knows that a prominent member of the community is a client of the firm and that he has recently consulted Tom concerning the matter of his wife's extra-marital affairs with his best friend;
- that Ann has some knowledge of the volume (in monetary terms) of land transactions handled by the firm;
- that Ann has information regarding the personal and domestic affairs of the partners and the other secretaries in the firm.

Mike is most disappointed and astonished on discovering that Lisa has been responsible for divulging all this information.

In an effort to avoid a recurrence you as managing partner have decided to give a lecture to all the secretaries on their role within the firm. Prepare a paper for presentation.

QUESTION 2

You are a partner in a firm which operates without an organised system. The administrative duties are assigned to no one in particular and most persons employed to the firm resign within a year of being employed.

You have assessed the situation and are of the opinion that the problem relates in part to the fact that:-

- (a) no one has been appointed managing partner;
- (b) no consideration is given to utilising job descriptions and specifications;
- (c) there is lack of proper communication between management and staff;
- (d) little importance is placed on staffing and delegation; and
- (e) absolutely no thought is given to the design and layout of the office.

You need to convince the other partners of the importance of these matters.

Explain their relevance to the efficient operation of the firm.

QUESTION 3

"Any system designed with respect to the firm's accounting functions should underscore the importance of the separation of the firm's bank account." Discuss

QUESTION 4

"The success of a law firm is totally dependent on the ability of its lawyers to properly manage their time." Discuss

PART B

QUESTION 5

The Forward Looking Company Limited has planned a cash budget for the first six months of 1989. Estimates show that \$60,000 should be collected in March and June for dividends on investments in the stock of other companies. Each month the fixed operating expenses for wages, rent and light in the amount of \$220,000 are paid. Depreciation each month on fixed assets is \$10,000. Collections on Accounts Receivable are estimated as follows:

- 50% collected in the month of sale
- 20% collected in the month following sale
- 30% collected in the second month following sale

Payments for suppliers are scheduled so that 60% of the disbursements are made in the month of purchase with the balance paid in the following month. The cash balance is estimated as \$256,000 at the end of June 1989, before taking into consideration any temporary loans acquired or repaid.

Estimated net purchases and sales by month are as follows:

	<u>Net Purchases</u>	<u>Net Sales</u>
November 1988	\$320,000	\$560,000
December 1988	380,000	550,000
January 1989	420,000	640,000
February 1989	400,000	700,000
March 1989	350,000	650,000
April 1989	280,000	580,000
May 1989	260,000	460,000
June, 1989	260,000	520,000

Payment for Income Tax of \$110,000 is to be made in February 1989 and of \$150,000 is to be made in June 1989. A long-term loan of \$80,000 with interest of \$12,000 is scheduled for re-payment in February 1989.

Required:

- a. Prepare a Cash Budget with a total column showing the receipts and payments each month, the monthly inflow and outflows.

- b. Explain why the monthly balances on a Cash Budget will not agree with those on the Budgeted Income Statement covering the same period.

QUESTION 6

On January 1, 1981, the Sales Ledger balances of S Company were \$32,000 debit and \$128 credit and the Bought Ledger balances at the same date were \$17,520 credit and \$118 debit. During the half year ended June 30, sales amounted to \$92,000; purchases to \$78,580; cash received from debtors \$84,480; cash paid to creditors \$79,104; discount allowable \$2,520; discount received \$3,296; returns inward \$1,700; returns outwards \$1,240; bills receivable \$3,560, bills payable \$480, bills receivable dishonoured \$380; discount allowed to debtors but subsequently disallowed \$10; bad debts \$640; a debit balance in Bought Ledger amounting to \$13 was transferred to the Sales Ledger. Small debit balances of \$8 and \$10 in the Bought Ledger and Sales Ledger respectively were written off to Profit and Loss Account.

- (a) Prepare and balance the Accounts Receivable and the Accounts Payable Control Accounts at June 30, 1981.
- (b) What are Control Accounts?
- (c) What are the advantages to be derived from Control Accounts?
- (d) Name six (6) Control Accounts met with in practice.

QUESTION 7

On 15 May, 1988, Mr. Lakes received his monthly bank statement for the month ended 30 April 1988. The bank statement contained the following details:-

Mr. D. Lakes

Statement of Account with Baroyds Limited

<u>Date</u>	<u>Particulars</u>	<u>Payment</u>	<u>Receipts</u>	<u>Balance</u>
		\$	\$	\$
1 April	Balance			1,053.29
2 April	236127	210.70		842.59
3 April	Bank Giro Credit		192.35	1,034.94
6 April	236126	15.21		1,019.73
6 April	Charges	12.80		1,006.93
9 April	236129	43.82		963.11
10 April	427519	19.47		943.64
12 April	236128	111.70		831.94
17 April	Standing Order	32.52		799.42
20 April	Sundry Credit		249.50	1,048.92
23 April	236130	77.87		971.05
23 April	236132	59.09		911.96
25 April	Bank Giro Credit		21.47	933.43
27 April	Sundry Credit		304.20	1,237.63
30 April	236133	71.18		1,166.45

For the corresponding period Mr. Lakes' own records contained the following bank account:

<u>Date</u>	<u>Detail</u>	<u>\$</u>	<u>Date</u>	<u>Detail</u>	<u>Cheque No.</u>	<u>\$</u>
1 April	Balance	827.38	5 April	Purchases	128	111.70
2 April	Sales	192.35	10 April	Electricity	129	43.82
18 April	Sales	249.50	16 April	Purchases	130	87.77
24 April	Sales	304.20	18 April	Rent	131	30.00
30 April	Sales	192.80	20 April	Purchases	132	59.09
			25 April	Purchases	133	71.18
			30 April	Wages	134	52.27
			30 April	Balance		<u>1,310.40</u>
		<u>1,766.23</u>				<u>1,766.23</u>

Required:

- (a) Prepare a statement reconciling the balance at 30 April as given by the bank statement to the balance at 30 April as stated in the bank account.
- (b) Calculate the balance that would appear in the balance sheet as cash at bank

QUESTION 8

(a) P & B have been partners as attorneys-at-law for a number of years sharing profits and losses equally. On January 1, 1990, a decision was taken to admit R as a Partner. He was required to pay into the business \$15,000 as capital and \$3,800 as premium. The sums were duly paid into the business. As between P & B, they will from the date of the agreement, share profits in the ratio of 3:2 respectively.

- (i) Show how the goodwill should be distributed between P & B;
- (ii) assume that R could not find the funds to pay for his share of the goodwill, suggest an alternative method by which R could be accommodated.

(b) List ten heads of agreement that should be enshrined in any partnership contract in the mutual interest and protection of the partners.
