

NORMAN MANLEY LAW SCHOOL  
COUNCIL OF LEGAL EDUCATION

LEGAL EDUCATION CERTIFICATE  
SECOND YEAR EXAMINATIONS, 1991

OFFICE MANAGEMENT AND ACCOUNTING  
(Friday, May 24, 1991)

Instructions to Students

- a) Time 3 1/2 hours
- b) Answer 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.

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PART A

PART A

QUESTION 1

John Banks, Sue Cash and May Lawe, attorneys-at-law, have been practising in partnership for four years. They have a support staff of three secretaries, an accounts clerk and a messenger.

The business has shown negative growth over the period it has been in existence and the partners have been advised that their failure to devise and institute proper management techniques has been the primary cause of the undesirable position in which they now find themselves.

They have decided to appoint a managing partner in an effort to redress the situation. John Banks wants to be appointed to this position because he is the only male partner and also because of his seniority.

Advise the partners on the role of the managing partner in order to assist them in making an appointment.

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QUESTION 2

Meg Tort, a partner in the law firm of Tort, Wills and Case, discusses with you problems she has been experiencing in the firm with her support staff. She tells you that they complain and are disgruntled about -

- (i) lack of proper communication between management and

- staff;
- (ii) uncertainty as to their job functions;
  - (iii) some members of staff being overworked while others appear to have very little to do; and
  - (iv) inconvenience suffered as a result of a crammed lunch room.

Advise her on what systems the firm should put in place to correct these problems.

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QUESTION 3

Describe how the use of an application form, a pre-employment test and an interview can help in selecting a person for employment as a secretary in a law office.

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QUESTION 4

Gus Lazee, attorney-at-law, practises as a sole practitioner. He asks you to enter into partnership with him because he has more work than he can manage by himself. As a result, he has had to lie to his clients on many occasions because of undue delay in dealing with their matters.

In explaining how busy he has been he tells you that documents sometimes "get lost" on his desk, that very often he simply forgets

to follow-up on matters and that he normally sees correspondence three to four days after delivery at his office.

You also learn from him that he is having an affair with his secretary and although many of his clients and other callers to his office have complained about her arrogance he feels that they are being unfair to her. He has not told her about these complaints for fear of upsetting her.

He complains that the profession is not financially rewarding as he can hardly meet his expenses despite the amount of work he has. You then question him about the accounting aspect of his practice and discover that it is impossible for anyone to identify trust funds on examining his accounting records. In fact, his accounting records consist of receipt books, lodgement books and cancelled cheques and cheque stubs for the single bank account operated by the firm.

After a long talk with Gus, you realize that his problem is not excess workload, but lack of proper management of his time and all other aspects of his practice. You are not prepared to enter into partnership with him but, being his good friend, you are willing to advise him on how he might overcome the various problems you have identified.

Advise him.

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PART BQUESTION 5

The assets and liabilities of Success Social Club on January 1, 1989 were: Cash in hand and at bank \$2,680; Liquor Stock \$2,100; Subscriptions Outstanding for previous year \$200; Insurance Prepaid \$30; Furniture and Equipment \$4,300; Creditors for Liquors Supplies \$1,500.

From the following summary of Receipts and Payments and the Notes appended prepare the Income and Expenditure Account of the Club for the year ended December 31, 1989, and the Balance Sheet at that date.

<u>Receipts</u>		<u>Payments</u>	
Subscriptions	\$ 8,450	Creditors for Liquor	\$14,150
Sales of Liquor	18,400	New Furniture	600
Sale of Old Furniture	150	Dance & Social Expenses	2,690
Dances & Social	3,470	Rent & Rates	6,450
		Wages	5,200
		Light & Heat	1,060
		Insurance	80
		Postage & Stationery	180
	<u>\$30,470</u>		<u>\$30,410</u>

## Notes:

(a) The subscriptions received included \$150 related to the previous year of account. The remainder of the subscriptions for that year were written off as Bad Debt.

(b) On December 31, 1989, \$450 subscriptions were outstanding for the current year of account.

(c) The Old Furniture sold during the year of account had a Book Value of \$90 at the date of sale.

(d) The payment for insurance is a yearly premium paid on July 1 in each year.

(e) Depreciation Expense of \$250 is to be written off Furniture and Equipment.

(f) Liquor Stocks at December 31, 1989, were valued at \$1,800.

(g) At December 31, 1989, there were outstanding amounts due to Creditors for Liquor \$1,750 and for Lighting and Heating \$270.

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QUESTION 6

The following data were taken from the records of Crosstown Ltd. Crosstown and from the Bank Statement for the month of April, 1989:

(1) Balance as per Bank Statement	\$189,000
(2) Crosstown's Cash Book showed a debit balance at Bank of	\$ 85,391
(3) The bank collected a \$396 non- interest bearing Note on Crosstown's behalf, charged \$6 collection fee and credited Crosstown's account with the proceeds	\$ 390

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|--|-----------|
| (4) Proceeds of a bank loan not recorded in Crosstown's Cash Book  | \$6,000   |
| (5) A lodgment made by Crosstown on April 30, was not recorded in the Bank Statement   | \$16,500  |
| (6) The Bank recorded a cheque No. 561 payable to W Black as \$6,189. The correct amount was \$6,198 - a difference of   | \$ 9      |
| (7) Bank Charges not entered in Crosstown's Books  | \$ 5      |
| (8) A cheque from J. White deposited on April 5 and returned by the Bank on April 25 marked N.S.F. (not sufficient funds) was not recorded in Crosstown Cash Book. | \$ 910    |
| (9) The Total amount of cheques issued and recorded by Crosstown but not yet paid by the Bank  | \$115,515 |
| (10) A cheque of <u>Crossroads Ltd.</u> was among the cancelled cheques returned with Bank Statement at the end of the month.                                      | \$ 890    |

Required:

- (a) The Bank Reconciliation for Crosstown Ltd. at April 30, 1989.

(b) What figure would appear in the Balance Sheet as Cash at Bank on April 30, 1989?

QUESTION 7

On June 30, 1982, the totals of the balances extracted from J. Wren's sales ledger were \$10,193 debit and \$85 credit and from the purchases ledger \$8,436 credit and \$136 debit. The following particulars relating to the year ended June 30, 1983 are given to you:

Sales (exclusive of Cash Sales) .. .. .	\$ 80,954
Purchases (including Cash Purchases of \$500) .. .. .	54,585
Cash received from debtors .. .. .	70,136
Cash paid to creditors .. .. .	50,476
Returns inwards .. .. .	1,273
Returns outwards .. .. .	724
Discount allowed .. .. .	2,957
Discount received .. .. .	1,995
Bad debts written off .. .. .	414
Bills Receivable Received .. .. .	5,154
Bills Receivable dishonoured .. .. .	334
Discount deducted by a debtor subsequently disallowed .. .. .	17
A debit balance in the purchase ledger transferred to an account in the sales ledger .. .. .	22
Allowances from suppliers in respect of goods stolen or damaged in transit .. .. .	269
Bill Receivable endorsed over to a creditor .. .. .	208



Discount deducted in error when settling a creditor's account 10  
 Bill Receivable cancelled on request upon debtor's account  
 being settled by cheque . . . . . 150

You are required to write up Debtors and Creditors Control Accounts for year ended June 30, 1983 showing the balances on June 30, 1983.

QUESTION 8

The following information relates to the imaginary business of Success Ltd.

- (a) Expected Opening Cash at January 1, 1986 = \$3,200
  - (b) Sales at \$12 per unit: credit period 3 months after sale
- Unit Sales:

1985

Oct	Nov	Dec	Jan.	Feb.	Mar.	Apr.	May.	Jun.	July	Aug.	Sep.
80	90	70	100	60	120	150	140	130	110	100	160

- (c) Productions in Units:

1985

Oct	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	July	Aug.	Sep.
70	80	90	100	110	130	140	150	120	160	170	180

- (d) Raw materials used in Production Costs \$4 per unit of production. They are paid for two months before being used in production.
- (e) Direct Labour \$3 per unit paid for in the same month as the unit is produced.

- (f) Other variable expenses \$2 per unit, 3/4 of the cost being paid for in the same month as production and the other 1/4 paid for in the month after production.
- (g) Fixed expenses of \$100 per month are paid monthly.
- (h) A motor-van is to be bought and paid for in April 1986 - \$800.

Required: Prepare a Cash Budget for the six months ending June 30, 1986, showing the inflow and the outflow with a total column.

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