

COUNCIL OF LEGAL EDUCATION

NORMAN MANLEY LAW SCHOOL

LEGAL EDUCATION CERTIFICATE

SECOND YEAR EXAMINATIONS, 2000

OFFICE MANAGEMENT AND ACCOUNTING

(Friday, May 26, 2000)

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 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) Calculators may be used.
- (g) Answers should be written in ink.

PLEASE REMAIN SEATED UNTIL YOUR SCRIPT HAS BEEN COLLECTED.

PART A

OFFICE MANAGEMENT

QUESTION 1

“Lawyers have no need to plan. Planning is for businesses and not professionals.”

Comment on this statement.

QUESTION 2

“Lawyers provide a service which is bought and sold like any other commodity.”

Comment on this statement and give your views on the reasons why the consumer makes choices and what lawyers need to do and are legally entitled to do to influence them.

QUESTION 3

Explain the ethical and legal liability of attorneys-at-law who give undertakings, and the means by which they can protect themselves from this liability.

QUESTION 4

Explain what a Client Trust Account is, the form or forms it may take, why attorneys-at-law are required to have a Client Trust Account or Accounts and the process of reconciling them.

PART B**ACCOUNTING****QUESTION 5**

Fever Grass Ltd. is preparing its budget for the quarter beginning July 1, 2000. Stock in hand at the end of June is expected to be \$144,000 and the balance at bank \$20,000. In view of the pressure on liquid resources, the directors have decided to reduce the stock level at the end of each month to an

amount sufficient to cover the following two months' sales. Purchases are to be paid for by the end of the following month, the amount payable for June's purchase is \$72,000.

Budgeted Sales (which provide a gross profit of 33 1/3% on cost) are:

July	\$80,000	October	\$96,000
August	\$84,000	November	\$104,000
September	\$92,000	December	\$88,000

Ten percent of the Sales are for cash and of the credit sales 2/3 are paid for during the month after the sale and the remainder during the following month. Credit Sales for May amounted to \$49,200 and during June \$52,200.

The annual rental of the company's premises is \$36,000 payable monthly. Other payments to be made are:

	JULY	AUGUST	SEPTEMBER
	\$	\$	\$
Salaries, Wages & Commission	9,600	10,200	11,000
Rates	1,600	-	-
Other Expenses	3,200	3,600	4,000

Required:

- (a) To prepare the Company's cash budget (with a total column) for the quarter beginning July 1, 2000 showing each month's balance.

QUESTION 6

Clifford Robinson, a sole practitioner, financial year ends on October 31, each year. From the following information you are required to prepare the Rent & Rates Account for the financial years ended October 31, 1998 and 1999 respectively, balancing at October 31 and bringing out clearly the transfer to Robinson's Income and Expenditure Account at the financial year ends aforementioned.

October 15, 1997	Paid Rates for year ended March 31, 1998	\$600
December 31, 1997	Paid Rent for half year to date	\$960
June 30, 1998	Paid Rent for half year to date	\$960
November 10, 1998	Paid Rates for year ended March 31, 1998	\$720
December 31, 1998	Paid Rent for half year to date	\$960
June 30, 1999	Paid Rent for half year to date	\$960
October 10, 1999	Paid Rates for the year ended March 31, 2000	\$840

QUESTION 7

The following data were taken from the records of Crosstown Ltd. and from the bank statement for the month of April 1999:

1	Bank Balance as per Bank Statement at April 30, 1999	\$189,000
2	Crosstown's Cash Book showed a bank balance on April 30, 1999	\$85,391
3	The bank collected \$396 non-interest bearing note on Crosstown's behalf, charged a \$6 collection fee and credited Crosstown's account with the proceeds	\$390
4	Proceeds of a bank loan note recorded in Crosstown's books	\$6,000
5	A deposit 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 H. Black as The correct amount was	\$6,189 \$6,198
7	Bank charges not entered on 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. was not recorded in Crosstown's book	\$910
9	The total amount of cheques issued and recorded by Crosstown but not yet paid by the bank	\$115,815
10	Included among the cheques recorded as not yet paid by the bank was Cheque No. 574 (for \$300) issued to R. Brown – the bank had certified and listed as such in the bank statement	\$300

- 11 A cheque of Crossroads Ltd. was among the cancelled cheques returned with the Bank Statement and charged against the account of Crosstown (\$890) \$890

Required:

- (a) Prepare the Bank Reconciliation Statement on April 30, 1999.
- (b) Calculate the figure that would appear as Cash at Bank in the Balance Sheet of Crosstown Ltd. at April 30, 1999.
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QUESTION 8

- (a) What do you understand by Control Accounts?
- (b) What are its advantages?
- (c) To what extent do you think that the principles of Control Accounts can be applied to the accounts of practising attorneys?
- (d) Draft a Cash Book that would be applicable to the practising attorneys business and also a ledger for such a business.
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