

COUNCIL OF LEGAL EDUCATION

NORMAN MANLEY LAW SCHOOL

LEGAL EDUCATION CERTIFICATE

SECOND YEAR SUPPLEMENTARY EXAMINATIONS

OFFICE MANAGEMENT AND ACCOUNTING

(Tuesday, August 9, 1994)

Instructions to Students:

- (a) Time 3 1/2 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.

PLEASE REMAIN SEATED UNTIL YOUR SCRIPT HAS BEEN COLLECTED

P A R T AQUESTION 1

You are partner in a firm which operates without an organized system. The administrative duties are not assigned to anyone 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 following -

- (a) no one has been appointed managing partner;
- (b) there is no organizational chart;
- (c) no consideration is given to utilizing job descriptions and specifications;
- (d) there is lack of proper communication between partners/management and staff;
- (e) little importance is placed on staffing and delegation; and
- (f) 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.

Briefly explain their relevance to the efficient operation of the firm.

QUESTION 2

"Planning is an important aspect of any business including the practice of law, whether as a firm or as a single practitioner".

Discuss in the context of -

- (a) setting objectives;
 - (b) - Strategic Planning
 - Medium Term Planning
 - Short Term Planning;
 - (c) the importance of budgeting as part of the planning process; and
 - (d) the importance of monitoring plans.
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QUESTION 3

"Environmental Forces affect all businesses including law firms and single practitioners".

- (a) What are Environmental Forces?
 - (b) Explain what is meant by -
 - (i) The Remote Environment;
 - (ii) The Industry Environment;
 - (iii) The Operating Environment.
 - (c) Briefly indicate what in your opinion is/are the main environmental force(s) affecting the practice of law.
Give reasons.
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QUESTION 4

"The success of a law firm is primarily dependent on the ability of its lawyers to properly manage their time and bill clients effectively".

(a) Discuss in the context of -

(i) time management and the relevance of recording time spent on individual client matters;

(ii) the 'Billing Process':

- invoicing

- dealing with cash disbursements;

(iii) keeping proper accounting records and issuing statements to clients.

(b) Comment on the advantages and/or disadvantages of estimating the costs of a new transaction and indicating same to the client at the commencement of the transaction.

P A R T BQUESTION 5

You are given the following information extracted from the records of B. Jones in respect of December, 1988:

Bank Account

<u>DR</u>		<u>CR</u>	
	\$	Cheque #	\$
Dec. 1 b/f	16,491	Dec. 1 Alexander	782 857
" 2 Abel Ltd.	962	" 6 Burgess	783 221
" 2 Baker Ltd.	1,103	" 14 Barry	784 511
" 10 Charles Ltd.	2,312	" 17 Cook	785 97
" 14 Dell & Co.	419	" 24 Hay	786 343
" 21 Echo Ltd.	327	" 29 Telephone	787 260
" 23 Cash Sales	529	" 31 Bal. c/d	19,973
" 30 George Ltd.	<u>119</u>		
	<u>\$22,262</u>		<u>\$22,262</u>

N.B.C. Bank Ltd.Bank Statement - B. Jones

<u>Details</u>	<u>Payments</u>	<u>Receipts</u>	<u>Date</u>	<u>Balance</u>
	\$	\$		\$
Balance b/f			Dec. 1	17,478
Cheque # 780	426		" 2	17,052
Lodgement		176	" 2	17,228
Cheque # 782	857		" 5	16,371
Bank Charges	47		" 5	16,324
Cheque # 781	737		" 6	15,587
Lodgement		2,065	" 6	17,652
Standing Order	137		" 10	17,515
Cheque # 783	212		" 11	17,303
Lodgement		2,312	" 13	19,615
Cheque # 784	511		" 17	19,104
Lodgement		419	" 17	19,523
Lodgement		327	" 23	19,850

Lodgement		528	Dec. 24	20,378
Cheque # 786	343		Dec. 28	20,035
Cheque # 5442	297		Dec. 30	19,738

Required:

- (a) Prepare the Bank Reconciliation Statement of B. Jones at December 31, 1988.
- (b) What figure would appear in the Balance Sheet as Cash at Bank on December 31, 1988?

QUESTION 6

The month-by-month forecast of profitability of Success Ltd. for the five months May - September 1992 is given below:

(\$000)

	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>Sept.</u>
	\$	\$	\$	\$	\$
Materials Consumed	1,200	1,400	1,600	2,040	1,800
Wages	640	640	640	800	640
Depreciation	140	140	140	140	140
Factory Expenses	100	100	100	100	100
Rent	60	60	60	60	60
Salaries & Office Exp.	640	640	640	640	640
Advt. & Publicity	240	280	200	320	400
Sales Commission	160	180	200	260	220
	<u>3,180</u>	<u>3,440</u>	<u>3,580</u>	<u>4,360</u>	<u>4,000</u>
Profit	<u>20</u>	<u>160</u>	<u>420</u>	<u>840</u>	<u>400</u>
	<u>\$3,200</u>	<u>3,600</u>	<u>4,000</u>	<u>5,200</u>	<u>4,400</u>

Raw Material Stock c/f 1,400 1,600 1,800 1,400 1,600

The following additional information is given:

- (1) On average, payment is made to suppliers one month after delivery.

- (2) The lag in payment of wages is 1/8 month.
- (3) Factory expenses are paid during the month incurred.
- (4) Rent is paid quarterly on the last day of March, June, September and December.
- (5) Salaries and Office Expenses are paid in the month in which they arise.
- (6) Advertising and Publicity are paid two months after the debt is incurred.
- (7) Sales Commission is paid one month in arrears.
- (8) On average debtors take two months credit.
- (9) Cash Balance on June 30 is expected to be \$520,000.
- (10) In September \$300,000 will be paid for machinery.
- (11) A dividend and tax thereon amounting to \$60,000 will be paid in August.
- (12) Investment Grant of \$200,000 will be paid in September.

Required:

Prepare a Cash Budget for each of the three months to September 30, 1992. (Figures to be given to the nearest \$1000.)

QUESTION 7

The following Trial Balance was drawn up at December 31, 1981 by the inexperienced book-keeper of 'Cutlass'.

	DR	CR
	\$	\$
Capital		9,182
Creditors		3,274
Debtors	5,966	
Discount Received	504	
Discount Allowed		1,466
Drawings	2,400	
Office Furniture	4,310	
General Expenses		1,658
Purchases	21,846	
Returns Inwards		660
Rent & Rates	628	
Salaries	5,040	
Sales		33,764
Stock	4,836	
Bank Overdraft	3,308	
Provision for Doubtful Debt	400	
Provision for Depreciation of Furniture	728	
	<u>\$49,966</u>	<u>\$50,004</u>

In order to complete the accounts, the Accountant caused obvious errors to be corrected and inserted the balancing figure in the Trial Balance as a Suspense Account.

Subsequently the following errors were discovered:

- (i) Goods bought from J. Jones amounting to \$26.00 had been posted as \$66.00.
- (ii) Furniture which had cost \$346.00 had been debited to the General Expense Account.
- (iii) An invoice from L.J. Smith for \$740.00 had been omitted from the Purchases Account and credited to L.J. Smith Account.

- (iv) Sales on Credit to A. Pope for \$900 had been posted to Account but not to A. Pope's Account.
- (v) The balance on the Capital Account had been incorrectly brought forward in the Ledger and should have been \$8,582.00.
- (vi) An amount of \$172.00 received from A. Sharpe, a Debtor, in settlement of his account had been treated as a Cash Sale.
- (vii) Discount Allowed had been under-cast by \$70.00.

Required:

- (a) Prepare the corrected Trial Balance;
 - (b) The Journal Entries to correct the errors at (i) to (vii);
 - (c) Write up and balance the Suspense Account.
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QUESTION 8

The Senior Partner of a firm with which you work has informed you that decision has been taken to establish Control Accounts in the firm for the purpose of eliminating detailed accounts which have been the source of many problems in the past.

Required:

- (a) Comment on the statement of the Senior Partner.
 - (b) What information would you expect to receive on a monthly basis from the Clerk responsible for the Subsidiary Ledger relating to Receivable and what purpose would such information serve?
 - (c) List seven Control Accounts that would normally be met with in practice.
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