

COUNCIL OF LEGAL EDUCATION

NORMAN MANLEY LAW SCHOOL

LEGAL EDUCATION CERTIFICATE

SECOND YEAR SUPPLEMENTARY EXAMINATIONS, 1996

OFFICE MANAGEMENT AND ACCOUNTING

Wednesday, August 14, 1996

Instructions to Students

- (a) Time 3 ½ 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.

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PART A

OFFICE MANAGEMENT

QUESTION 1

Discuss whether it is necessary for an attorney-at-law to maintain more than one bank account. If your view is that it should be more than one, explain why and how these accounts should be maintained with particular reference to the uses to which the accounts should properly be put. In this context discuss also the necessity for separate files for each client.

QUESTION 2

Explain the notion of "marketing" of legal services and why this is something which attorneys-at-law need to prepare for. Comment on this notion in the context of the Canons of Professional Ethics with particular reference to the prohibition against advertising.

QUESTION 3

"Communication is at the heart of every successful lawyer/client relationship".

Comment on this statement, explaining some of the consequences of a lack of communication and the various systems which it is possible to use to maintain adequate communication.

QUESTION 4

“The importance of law being a profession has long since been overtaken by the recognition that it is a service industry”.

Comment on this statement.

PART B

ACCOUNTING

QUESTION 5

At December 31, 1995, the Bank Statement of Success Limited disclosed an overdraft of \$6,000.

An examination of the Cash Book and the Bank Statement disclosed the following cheques drawn, but not presented to the Bank for payment:

- (a) \$ 240
- (b) \$6,080
- (c) \$ 200
- (d) \$ 500

The under-mentioned payment appearing in the Bank Statement had not been entered in the Cash Book:

- (x) Standing Order for payment of \$150 to Chamber of Commerce
- (y) Stamp Duty on Foreign Draft lodged by Success Limited was \$25
- (z) A charge of \$20 for four cheque books
- (d) Bank Interest on overdraft = \$250

A cheque for \$500 lodged on December 15, 1995, and credited to Success Limited Bank Account was returned with the notation "Payment Stopped". Success Limited wrote to the debtor from whom the cheque was received and for the time being made no entry in their Cash book.

In addition a cheque book costing \$5 had been entered twice in the Cash Book of Success Limited. It was also discovered that Cash Receipts of \$4,200 by cheques were not lodged until January 4, 1996, though the lodgment slip had been prepared prior to that date.

³ Required: Prepare a statement reconciling the Bank balance as per Bank Statement with what in your view should have been the proper bank balance as per the Cash Book on December 31, 1995.

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QUESTION 6

The following details were extracted from the book of S. K. Jeremiah at June 30, 1995:

Sales Ledger Balances at January 1, 1995

| | |
|--------|----------|
| Debit | \$61,200 |
| Credit | \$ 1,680 |

Purchases Ledger Balances at January 1, 1995

| | |
|--------|----------|
| Debit | \$ 760 |
| Credit | \$48,590 |

Transactions for the six months:-

| | |
|---|-----------|
| Cash received from trade debtors | \$358,190 |
| Discount allowed | 3,840 |
| Sales Returns | 1,440 |
| Credit Sales | \$379,200 |
| Bad Debts written off | 1,200 |
| Bad Debts written off two years ago now recovered | 1,500 |
| Payments to suppliers | \$281,568 |
| Discount received | 7,500 |
| Purchases on credit | \$296,000 |
| Returns outward | 4,800 |

During the six month period, debit balances of \$900 were transferred from the Sales Ledger to the Purchases Ledger.

At June 30, 1995:

Sales Ledger credit balances were \$800

Purchases Ledger debit balances were \$600

Required:

Prepare and balance the Sales Ledger & the Purchases Ledger Control Accounts at June 30, 1995.

QUESTION 7

- (a) What are the advantages of Control Accounts?
- (b) What factors would help you to decide to capitalise an item of expenditure?
- (c) Why will an Income and Expenditure Account show different figures than that of a Receipts and Payment Account?

QUESTION 8

The following information relates to the imaginary business of Success Limited :

- (a) Expected opening Cash on January 1, 1992 = \$3,2000
- (b) Sales at \$12 per unit - credit three months after sale

Unit Sales:

| 1991 | | | 1992 | | | | | | | | |
|------|------|------|------|------|------|------|-----|------|------|------|-------|
| Oct. | Nov. | Dec. | Jan. | Feb. | Mch. | Apl. | May | Jun. | July | Aug. | Sept. |
| 80 | 90 | 70 | 100 | 60 | 120 | 150 | 140 | 130 | 110 | 100 | 160 |

(c) **Production in Units**

| <u>1991</u> | | | <u>1992</u> | | | | | | | | |
|-------------|------|------|-------------|------|------|------|-----|------|------|------|-------|
| Oct. | Nov. | Dec. | Jan. | Feb. | Mch. | Apl. | May | Jun. | July | Aug. | Sept. |
| 70 | 80 | 90 | 100 | 110 | 130 | 140 | 150 | 120 | 160 | 170 | 180 |

- (d) Raw material 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 is 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 second hand motor cycle is to be bought and paid for in April 1992 for \$8,000.

Required:

Prepare a Cash Budget for the months ending June 30, 1992, showing inflow/(outflow) with a total column.
