

NORMAN MANLEY LAW SCHOOL
COUNCIL OF LEGAL EDUCATION

LEGAL EDUCATION CERTIFICATE
SECOND YEAR EXAMINATIONS, 1992

OFFICE MANAGEMENT AND ACCOUNTING
(Thursday, May 28, 1992)

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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MONA, KINGSTON, 7. JAMAICA

PART AQUESTION 1

Bill Iron and Peter Steel, attorneys-at-law practicing under the firm name of Iron & Steel, have invited Jan Wood, a recent graduate of the Law School, to join their firm as an associate.

In an interview with the managing partner she is told that she would be expected to contribute to developing and maintaining the firm's clientele and to assist generally in promoting the business. The extent to which she could successfully do so would affect her prospects of becoming a partner within the firm.

Jan is frightened by this, thinking it is impossible for her to meet this requirement as a new member of the profession. As a result, she has decided not to accept the offer despite the fact that Iron & Steel, a small reputable firm is the type in which she would like to begin and develop her career.

You think Jan has nothing to fear and that she would be making a big mistake in not accepting the offer.

Advise her as to how she could successfully assist in promoting the firm and developing and maintaining its clientele.

QUESTION 2

Sam Worthy, attorney-at-law, has been a sole practitioner for almost ten (10) years.

His business has shown negative financial growth over the years although he has had an impressive clientele and enough work to make his practice financially successful. Sam is in fact very

hard-working and committed to providing his clients with good service.

You are entering into partnership with Sam and an analysis of his practice reveals that he has never instituted a system for the management of his time and for the development of a budget for his business. He has also never had a proper system for the treatment of payments received by and payments made by his firm. You recognize this as a major problem which must be dealt with at once.

Advise Sam on the systems which should be put in place to address the problem.

QUESTION 3

Discuss the importance to the proper management of a law firm of -

- (a) the layout and design of the office;
 - (b) communication;
 - (c) staffing and delegation;
 - (c) the efficient handling of mail.
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QUESTION 4

"Modern technology has made the lawyer's secretary obsolete."
Discuss.

PART BQUESTION 5

Success & Co. Ltd. received its Bank Statement for the period ended June 30, 1987, after its Cash Book had been balanced. The Bank Statement did not agree with the Cash Book Balance at June 30, 1987, which showed \$5,944 in the Company's favour. A comparison of the Cash Book and the Bank Statement disclosed the following:

- (1) A deposit of \$984 paid into the Bank on June 29, 1987, had not been credited by the bank until July 2, 1987.
- (2) Bank charges amounting to \$34 had not been entered in the Cash Book.
- (3) A debit of \$84 appeared in the Bank Statement for an unpaid cheque which had been returned marked 'out of date'. The cheque had been re-dated by the customer of Success & Co. Ltd. and paid into the bank again on July 3, 1987.
- (4) A standing order for payment of an annual subscription amounting to \$20 appeared in the Bank Statement but not in the Cash Book.
- (5) On June 27, 1987, two customers of Success & Co. Ltd. had paid direct to the company's bank account \$998 and \$314 respectively in payment for goods supplied. The bank advice slips were not received by the company until July 2, 1987.
- (6) On March 30, 1987, the company had entered into a hire purchase agreement to pay by Banker's Order a sum of \$52

on the 10th day of each month commencing April 1987. No entries had been made in the Cash Book. The payments were however made by the Bank.

- (7) \$628 paid into the Bank had been entered twice in the Cash Book.
- (8) Cheques issued amounting to \$9,344 had not been presented to the bank for payment until after June 30, 1987. However one of these cheques amounting to \$344 had been certified by the bank on behalf of a creditor and had been appropriately noted on the Bank Statement.
- (9) A customer of the company who received a cash discount of 2 1/2% (Two and one half percent) on his account of \$400 paid the company a cheque on June 10. The cashier in error entered the gross amount in the Bank Column of the Cash Book.

Required -

- (a) Reconcile the Cash Book Bank Balance with what in your view should be the Bank Statement on June 30, 1987.
- (b) State what figure would appear in the Balance Sheet as Cash at Bank on June 30, 1987 - show your calculations.
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QUESTION 6

The following information relates to the business of Success & Co. Ltd. -

(1) Cash (including bank) on January 1, 1990, is expected to be \$1,600 in favour of the company.

(2) Production in Units:

1989		1990							
Oct. 31	Nov.	Dec.	Jan.	Feb.	Mch.	Apr.	May	Jun.	Jul.
600	800	920	1080	1400	1280	1120	1000	840	760

(3) Raw materials used in production cost \$4 per unit. Of this one-third is paid for one month before production and two-thirds in the same month as production.

(4) Direct Labour Costs \$5 per unit and paid in the same month as production.

(5) Variable Expenses are \$3 per unit payable three-quarters in the same month as production and one-quarter in the month following production.

(6) Sales at \$15 per unit with unit details below:

1989		1990							
Oct.	Nov.	Dec.	Jan.	Feb.	Mch.	Apr.	May	June	
480	720	960	1160	1240	1440	1360	1040	720	

Debtors pay their accounts - one-fifth as a

deposit in the month of Sale and the remainder two months later.

- (7) Fixed Costs are \$600 per month payable monthly (depreciation of \$50 per month is included in this total).
- (8) The premises are to be extended at a cost of \$12,000 and this will be paid in February 1990.
- (9) An Income Tax refund of \$7,400 will be received in June 1990.

Required -

- (a) Prepare Cash Budget for the six months ending June 1990 with a total column.
- (b) What are the limitations of a Cash Budget?

QUESTION 7

- (a) What are the advantages of Control Account?
- (b) Your Managing Partner has declared that Control Accounts have now been installed in his practice and he can eliminate the detailed accounts. Comment on this statement.
- (c) From the following information prepare and balance the Sales Ledger Control Account and the Purchases Ledger Control Account at June 30, 1991.

Sales Ledger Balances at January 1, 1991

Debit	\$40,800
Credit	\$ 1,120

Purchases Ledger Balances at January 1, 1991

Debit	\$ 240
Credit	\$29,360

Transactions for six months:	\$
Payments to Supplies	187,712
Discount Received	5,160
Cash received from Trade Debtors	238,780
Discount allowed	7,680
Purchases on Credit	197,110
Credit sales	252,800
Purchases returns	3,260
Sales returns	960
Bad debts written off	804
Bills receivable accepted	1,000
Bills receivable withdrawn	200
Bills receivable endorsed to creditors	400
Debit balances in Purchases Ledger)	
transferred to Sales Ledger)	834
At June 30, 1991:	
Sales Ledger Balances in Credit were:	\$1,460
Purchases Ledger Balances in Debt were:	252

QUESTION 8

The following are the Receipts and Payments of Port Royal Club for the year ending December 31, 1991:

PORT ROYAL CLUB

RECEIPTS AND PAYMENTS ACCOUNTS

<u>Receipts</u>	\$	<u>Payments</u>	\$
Balance b/f	27,000	Payment for New Lockers	32,000
Entrance Fees	16,000	Wages	150,000
Subscriptions:		Printing and Postage	36,000
Current	220,000	Stationery	3,000
In advance	24,000	Sundries	8,000
Profit on			
refreshment	53,000	Lighting and Fuel	19,000
Locker rental	12,000	Taxes and Insurance	54,000
Interest on deposit	<u>2,000</u>	Balance c/d	<u>52,000</u>
	<u>\$354,000</u>		<u>\$354,000</u>

Balance b/d \$52,000

Of the subscriptions due for the current year \$21,000 are in arrears. Locker Rental in arrears \$2,000; Printing bills unpaid \$2,000; Stationery account unpaid \$3,000. There is a sum of \$200,000 on deposit at bank and the Club House and Equipment are valued at \$1,125,000.

Required -

From the above particulars prepare an Income & Expenditure Account for year ended December 31, 1991 and a Balance Sheet at that date.
