

COUNCIL OF LEGAL EDUCATION

NORMAN MANLEY LAW SCHOOL

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MONA, KINGSTON, 7. JAMAICA

LEGAL EDUCATION CERTIFICATE

SECOND YEAR EXAMINATIONS, 1994

OFFICE MANAGEMENT AND ACCOUNTING  
(Tuesday, May 17, 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.

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PLEASE REMAIN SEATED UNTIL YOUR SCRIPT HAS BEEN COLLECTED

P A R T AQuestion 1

- (a) What is "Management"?
- (b) (i) What are the THREE main levels of management in relation to a business?
- (ii) In relation to the answer given in (i) above, into which category/categories would lawyers fall? Give reasons for your answer.
- (iii) What do managers do? Give your answer in relation to the category/categories stated by you at (ii).
- (c) Briefly explain "Excellence in Modern Management" in relation to the operation of a law firm.
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Question 2

- (a) Explain "Decision-Making" within the context of the management function.
- (b) State the SIX main elements of the practice of decision-making giving a brief explanation of each element.
- (c) Which approach to decision-making would you consider to be more effective in relation to the management of a law firm the participatory or non-participatory? Give reasons for your answer.
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Question 3

- (a) Prevailing environmental forces in the operating environment affect all businesses including those of lawyers in law firms and law offices of single practitioners. Discuss.
- (b) What is Strategic Management? Briefly indicate its relevance to the practice of law and operating a law office.
- (c) What are "Action Plans"? When would you use action planning in your law office? Give an example.
- (d) Lawyers are meant to operate their law offices (i.e. the business of the law practice) bearing in mind that they have a 'social responsibility'. Explain.
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Question 4

- (i) "Time is the primary 'stock in trade' or 'current asset' of the lawyer." Discuss in terms of the following-
- (a) time management and the relevance of recording time spent on individual client matters;
  - (b) the 'Billing Process' (i.e. invoicing and dealing with cash disbursements);
  - (c) keeping proper accounting records and issuing statements to clients.
- (ii) Explain -
- (a) the importance of keeping separate accounting records for each client;

- (b) the relationship between the balances in the records of the various client accounts in your records and the client account at the bank.

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P A R T B - ACCOUNTING

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Question 5

The Cash Book of Success & Company showed a favourable Bank Balance of \$38,560 at June 30, 1993. After comparing the entries in the Cash Book with the entries in the related Bank Statement, the following discoveries were made-

- (a) Cheques amounting to \$21,800 entered in the Cash Book had not been presented for payment at the Bank.
- (b) An amount of \$5,000 entered on the debit side of the Cash Book (Bank Column) had not been banked.
- (c) An amount of \$950 had been credited by the Bank to Success' Account in error.
- (d) The Bank had credited and then debited the Bank Statement with an amount of \$4,800 being A. Jones' - a cheque which it forwarded on July 1, 1993 (with the Bank Statement) marked "Insufficient Funds - refer to Drawer"
- (e) A cheque from a customer entered in the Cash Book (Bank Column) as \$8,800 had been incorrectly entered by the Bank as \$18,800

(f) Interest of \$1000 had been charged by the Bank but had not yet been entered in the Cash Book.

Required-

(i) Prepare the Bank Reconciliation Statement at June 30, 1993 showing what in your view would have been the Bank Statement Balance.

(ii) What figure would appear in the Balance Sheet as Cash at Bank on June 30, 1993. Show your workings.

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Question 6

On January 1, 1992, the Sales Ledger of S. Company showed the following balances \$96,000 debit and \$384 credit. On the same date the Bought Ledger balances were \$52,560 credit and \$354 debit. Prior to January, 1992 the individual debtors and creditors accounts were kept in the General Ledger.

As of January, 1992, decision was taken to make use of Control Accounts for Debtors and Creditors respectively while the individual Accounts for Debtors and Creditors would be kept in subsidiary ledgers.

During the half year ended June 30, 1992 Sales inclusive of Cash Sales of \$2,000 amounted to \$278,000; Purchases excluding Cash Purchases of \$4,000 amounted to \$236,040; Cash received from Debtors \$253,440; Payments to Creditors \$237,312; Discount Allowed \$7,560; Discount Received \$2,888; Returns Inward \$5,100; Returns

Outward \$3,720; Bills Receivable \$10,680; Bills Payable \$1,440; Bills Receivable dishonoured \$1,140; Discount allowed to Debtors but subsequently cancelled \$30; Bad Debts \$1,920; <sup>Debit</sup> ~~Debt~~ Balance in the Bought Ledger amounting to \$39 was transferred to the Sales Ledger. A bill Receivable was endorsed and forwarded to a Creditor <sup>\$800.00</sup> Small credit balances of \$24 and \$30 in the Bought Ledger and the Sales Ledger were respectively written off to Profit & Loss Account.

Required -

- (i) Prepare and balance the Accounts Receivable and the Accounts Payable Control Accounts at June 30, 1992;
- (ii) List five advantages of Control Accounts.

#### Question 7

The following information relates to the business of Pleasure & Company.

- (a) Expected Cash at June 30, 1994 = \$15,600
- (b) Sales \$12 per unit; credit period three (3) months after sale; all sales will be on credit.

(c) Unit Sales 1993	_____	1994	_____
August 1,700	January 2,000	June 2,600	
September 1,200	February 1,200	July 2,200	
October 1,600	March 2,400	August 2,000	
November 1,800	April 3,000	September 3,200	
December 1,400	May 2,800	October 4,000	

(d) <u>Production Units</u>		<u>1994</u>	<u>-----</u>
1993			
August 1,200	January	2,000	June 2,400
September 1,000	February	2,200	July 3,200
October 1,400	March	2,600	August 3,400
November 1,600	April	2,800	September 3,600
December 1,800	May	3,000	October 4,800

- (e) Raw materials to be used in production will cost \$4 per unit of production, they will be paid for two (2) months before being used in production.
- (f) Direct labour at \$3 per unit will be paid for in the same month as the unit is produced.
- (g) Other Variable Expenses amounting to \$2 per unit; three-quarters (3/4) of which will be paid for in the same month as production and the balance paid for in the month after production.
- (h) Fixed Costs of \$2,000 inclusive of Depreciation of \$200 per month will be paid each month.
- (i) A second-hand motor cycle costing \$6,000 was purchased and paid for in April 1994.

Required -

- (i) Prepare the Cash Budget for the six months ending June 30, 1994 with a total column;
- (ii) What are the limitations of a Cash Budget?
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Question 8

(a) What factors would guide you in making a decision whether to treat an item of expenditure as a Capital Expenditure?

(b) Pleasure & Company has a fleet of Motor Cycles which originally cost \$186,600. At December 31, 1991, the provision for Depreciation stood at \$92,600. The rate of Depreciation is 20% per annum on the original cost and the accounts are balanced at half-yearly intervals.

On March 31, 1992 Motor Cycle #5 which had cost \$12,000 on July 1, 1989 was sold for \$7,200. On October 1, 1992 Motor Cycle #7 was purchased for \$21,600.

Required -

Prepare the Motor Cycle Fleet Account, the Depreciation Provision for Lorries and the Disposal Account for the year to December 31, 1992.

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