

COUNCIL OF LEGAL EDUCATION

NORMAN MANLEY LAW SCHOOL

LEGAL EDUCATION CERTIFICATE

SECOND YEAR EXAMINATIONS, 1995

OFFICE MANAGEMENT AND ACCOUNTING

(Tuesday, May 16, 1995)

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.

PART A - OFFICE MANAGEMENTQUESTION 1

- (i) Describe the management functions approach and the management skills approach to the study of management.
- (ii) Explain how the management approaches at (i) above would be applicable to the operation of a law practice.
- (iii) Name three major schools of thought in the evolution of management and briefly describe the view of each.
-

QUESTION 2

- (i) Decision-making in management is a problem solving process.

State and briefly describe the steps in the decision-making process.

- (ii) You are the managing partner of a law firm with six partners and three associates and a staff of nine comprising six secretaries, one accountant, a legal clerk and a messenger. The firm has been primarily engaged in a commercial practice with some litigation. However, the economy is in a depression, interest rates are rising and many businesses are closing. As the managing partner you need to act quickly.

Indicate what action you would take to stop the decrease in income, restore and improve the firm's profitability and how you would approach the solution to this problem in a systematic and methodical manner.

QUESTION 3

- (i) What are environmental forces?
- (ii) 'Each lawyer, whether practising singly or within the context of a firm, is affected by the remote environment, the industry environment and the operating environment.' Explain.
- (iii) Indicate what environmental forces are impacting on lawyers in your territory at present. If the effects are positive, state what action you would take to capitalize on these forces. If negative, state what action you would take to combat these forces in order that your law practice can survive and even benefit.
-

QUESTION 4

'A Lawyer has a duty to his/her clients to account strictly to them for monies received on their behalf.'

Discuss in terms of the following -

- (a) Keeping proper accounting records. Indicate at least FOUR of the accounting records.
- (b) The 'Billing Process' (i.e. invoicing and dealing with cash disbursements).
- (c) Making advances on behalf of clients and giving undertakings.
- (d) Keeping separate accounting records for each client.

- (e) The relationship between the balances in the records of various clients and clients' account at the bank.
-

PART B - ACCOUNTING

QUESTION 5

(a) A and B are partners who have had a successful and growing practice as attorneys-at-law over the past ten years during which they shared profits in the ratio of 4 : 3. They have recently concluded arrangements to admit C as a partner with effect from July 1, 1995, on the understanding that he would bring in \$50,000 as capital and \$14,000 as premium (goodwill) and that he would receive one-quarter (1/4) share of the annual profits. As between A and B, they will share profits equally from the admission of C.

Required -

How should the premium of \$14,000 brought in by C be shared between A and B? Prove the accuracy of your answer.

(b) X, Y and Z are partners whose last agreed capitals were \$18,000, \$12,000 and \$2,100 respectively. They shared profits and losses equally. They agreed to dissolve the partnership. After all creditors had been paid off there was a fund of \$24,000 remaining. Partner Z was insolvent and unable to bring in any cash to meet his deficiency of capital.

Required -

How should the fund of \$24,000 be divided among the partners? Quote the authority for your decision.

QUESTION 6

(a) The following information is extracted from the books of Success & Co. on March 31, 1995, and you are asked to prepare the Accounts Receivable and the Accounts Payable Control Accounts from the data you consider relevant thereto -

April 1, 1994	Balance in Accounts Receivable Control (Debit)	\$ 1,926,000
April 1, 1994	Credit Balances in Suppliers' Account	1,215,000
April 1, 1994 - March 31, 1995	Cash paid to Suppliers	7,613,000
	Cash Received from Debtors	12,993,000
	Purchases (including Cash Purchases of \$1,000,000)	9,848,000
	Discount Received	285,000
	Bad Debts written off	55,000
	Bad Debt Provision	200,000
	Sales Returns	93,000
	Returns Outward	182,000
	Interest Charged to Debtors	5,000
	Dishonoured Cheques	76,000
	Discount Allowed	356,000
	Bills Payable Accepted	890,000
	Bills Payable Withdrawn	200,000
	Interest on Bills Payable withdrawn	2,000
	Sales exclusive of Cash Sales of \$800,000	13,308,000
	Bills Receivable accepted	400,000

Included in Cash received from Debtors was \$80,000 in respect of Bad Debts written off two years ago and received in this period. There was also included in the Cash received from Debtors \$200,000 paid by a customer for goods which will not be delivered until October 1995.

- (b) List FIVE advantages of Control Account.
-

QUESTION 7

Draw up the Cash Budget of Success & Co. from the following information for six months July 1, 1995 - December 31, 1995 (with a total column).

- (a) Balance of Cash (including Bank) Balance on December 31, 1995 is expected to be \$3,500.

- (b) Sales at \$20 per unit during 1995 -

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Units	110	120	130	160	180	190	130	80	70

Debtors will pay two months after they have bought the goods.

- (c) Production in units during 1995 and January 1996 -

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Units	150	170	180	200	130	110	100	90	70	60

- (d) Raw Materials cost \$6 per unit and are paid for three months after the goods are used in production.
 - (e) Direct Labour of \$5 per unit is payable in the same month as production.
 - (f) Other Variable Expenses are \$3 per unit. Two-thirds of this cost is paid for in the same month as production and one-third in the month following production.
 - (g) Fixed Expenses of \$200 per month, including Depreciation of \$50 per month, are paid one month in arrears.
 - (h) A Machine is to be bought and paid for in September 1995 for \$6,000.
 - (i) Success & Co. will borrow \$3,000 from a relative of the proprietor in December 1995. This will be put into the bank account immediately.
-

QUESTION 8

On May 20, 1994, Mr. V. Brown received his monthly bank statement for the month ended April 30, 1994. The bank statement contained the following details -

Mr. V. Brown

Statement of Account with Variance Bank Ltd.

<u>Date</u> 1994	<u>Particulars</u>	<u>Payments</u> \$	<u>Receipts</u> \$	<u>Balance</u> \$
April 1	Balance			1,053.29
" 1	236127	210.70		842.59
" 3	Bank Credit		192.35	1,034.94
" 6	236126	15.21		1,019.73
" 6	Charges	12.80		1,006.93
" 9	236129	43.82		963.11
" 10	427519	19.47		943.64
" 12	236128	111.70		831.94
" 17	Standing Order	32.52		799.42
" 20	Sundry Credit		249.50	1,048.92
" 23	236130	77.87		971.05
" 23	236132	59.09		911.96
" 25	Bank Credit		21.47	933.43
" 27	Sundry Credit		304.20	1,237.63
" 30	236133	71.18		1,166.45

For the corresponding period, Mr. Brown's own records contained the following bank account -

<u>Date</u>	<u>Details</u>	<u>\$</u>	<u>Date</u>	<u>Details</u>	<u>Cheque #</u>	<u>\$</u>
April 1	Balance	827.38	April 5	Purchases	128	111.70
" 2	Sales	192.35	" 10	Electricity	129	43.82
" 18	Sales	249.50	" 16	Purchases	130	87.77
" 24	Sales	304.20	" 18	Rent	131	30.00
" 30	Sales	192.80	" 20	Purchases	132	59.09
			" 25	Purchases	133	71.18
			" 30	Wages	134	52.27
			" 30	Balance C/D		1,310.40
		<u>\$1,766.23</u>				<u>\$1,766.23</u>
May 1	Balance B/D	<u>\$1,310.10</u>				

Required -

(a) Prepare a statement reconciling the balance at April 30, as stated in Mr, Brown's Bank Account with the bank statement given, assuming that at the time the bank statement was received the Cash Book was already balanced.

(b) Briefly explain which items in the bank reconciliation would require further investigation.
