

COUNCIL OF LEGAL EDUCATION

NORMAN MANLEY LAW SCHOOL

LEGAL EDUCATION CERTIFICATE

SECOND YEAR EXAMINATIONS, 1996

OFFICE MANAGEMENT AND ACCOUNTING

(Tuesday, May 28, 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.

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COUNCIL OF LEGAL EDUCATION
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PART A
OFFICE MANAGEMENT

QUESTION 1

Your advice is sought by a recent graduate as to whether it would be advisable to go into practice as a single practitioner or to seek to join a firm or enter the Government service.

Discuss the relative advantages and disadvantages of each.

QUESTION 2

You act for a mortgagee. The mortgagor is a well known limited liability trading company. The company has written to you asking you to send the relevant documents of title together with a discharge of mortgage and a Statement of Account on its undertaking to pay the balance due on registration of the discharge of mortgage.

Discuss the considerations involved in the determination of how you should proceed, and advise the mortgagee.

QUESTION 3

You are asked by a colleague to assist in producing a simple budget for the operation of a law office and to help determine the basis on which fees should be charged.

Ignoring the detail of items which might go into such a budget, explain how you would go about the process.

QUESTION 4

- (a) You have decided to go into practice in partnership with a good friend. Discuss how you would go about determining where the offices should be located, the type of work that the firm would undertake and the means by which you would seek to market the services of the firm.

 - (b) What arrangements would you make for the banking needs of the firm/partnership.
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PART B

ACCOUNTINGQUESTION 5A. E. BROWN - CASH BOOK
(Bank Column)

DR			CHEQUE NO.			CR.
May 1	Balance b/f	16,491	May 1	Henry	782	857
May 2	Nelson Ltd	962	May 6	Phillips	783	221
May 2	Christine Ltd.	1,103	May 14	Coy	784	511
May 10	Sampson	2,312	May 17	Brown	785	97
May 14	Shields & Co.	419	May 24	Kameka	786	343
May 21	Ashley Ltd.	327	May 29	Ltz & Htg	787	260
May 23	Sales.	529	May 31	Balance		
May 31	Thomas Ltd.	119		c/d		19,973
		<u>22,262</u>				<u>22,262</u>

NATIONAL BANK LIMITED
STATEMENT - A. E. BROWN

Details	Payments	Receipts	Date	Balance
	\$	\$		\$
Balance b/f			May 1	17,478
780	426		May 2	17,052
Remittance		176	May 2	17,228
782	857		May 5	16,371
Charges	47		May 5	16,371
781	737		May 5	16,324
Counter Credit		2,065	May 6	15,587
Standing Order	137		May 6	17,652
783	212		May 10	17,515
Remittance		2,312	May 13	19,615
784	511		May 17	19,104
Counter Credit		419	May 17	19,523
Remittance		327	May 23	19,850
Counter Credit		528	May 24	20,378
786	343		May 28	20,035
145	297		May 31	19,738

Required:

- (a) From the above data prepare a Bank Reconciliation Statement at May 31, 19.....
- (b) What figure would appear in the Balance Sheet of A.E. Brown as Cash in Bank on May 31, 19.....

QUESTION 6

The Forward Looking Co. Ltd. has planned a cash budget for the first six months of 1992. Estimates show that \$60,000 should be collected in March and June for dividends on investments in the stock of other companies. Each month the fixed operating expenses for wages, rent and light in the amount of \$220,000 are paid. Depreciation each month on fixed assets is \$10,000.

Collections on Accounts Receivable are estimated as follows:

- 50% collected in the month of sale
- 20% collected in the month following sale
- 30% collected in the second month following sale

Payments for suppliers are scheduled so that 60% of the disbursements are made in the month of purchase with the balance paid in the following month. The cash balance is estimated as \$300,000 at the end of May 1992 before taking into consideration any temporary loans acquired or repaid.

Estimated net purchases and sales by month are as follows:

	NET PURCHASES	NET SALES
November 1992	\$320,000	\$560,000
December 1992	380,000	550,000
January 1992	420,000	640,000
February 1992	400,000	700,000
March 1992	350,000	650,000
April 1992	280,000	580,000
May 1992	260,000	460,000
June 1992	260,000	520,000

Payment for Income tax of \$110,000 is to be made in February 1992 and of \$150,000 is to be made in June 1992. A long term loan of \$80,000 with interest of \$12,000 is scheduled for re-payment in February 1992.

Required:

- (a) Prepare Cash Budget with a total column showing the receipts and payments each month. If a minimum cash balance of \$150,000 should be available at the end of each month, identify the months, if any, when short-term loans will be required and the amounts of the loans, Indicate also the months, if any, when short-term loans can be repaid.
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QUESTION 7

The Trial Balance of S. Blank at March 31, 1993 was as follows:

	\$	\$
Stock at April 1992	18,400	
Purchases	60,080	
Purchases Return		240
Cash in Hand	340	
Cash at Bank	10,084	
Freehold Premises at Cost	15,440	
Lighting & Heating	836	
Printing & Stationery	112	
Accounting Charges	656	
Provision for Doubtful Debts		1,400
Sundry Debtors	14,400	
Sundry Creditors		11,868
Wages	10,700	
Salaries	3,500	
Bad Debts	900	
Capital at April 1, 1992		45,860
Drawings	3,000	
Discount Allowed	2,520	
Discount Received		1,840
Sales		83,580
Office Furniture	2,500	
Provision for Dep. of Furniture		500
Rent, Rates & Insurance	1,600	
Sales Returns	200	
	<u>145,288</u>	<u>145,288</u>

The following matters are to be taken into account:

- (1) Stock at March 31, 1993 = 20,800
- (2) Provision for Doubtful Debts to be increased to \$1,600
- (3) Rent accrued due = \$200
- (4) Insurance paid in advance = \$800.
- (5) Depreciation on Furniture is to be provided at 10% per annum.

Required:

Prepare the Trading and Profit and Loss Account for the year ended March 31, 1993 and the Balance Sheet at that date.

QUESTION 8

- (a) What are the advantages of an aged list of Receivable balances?
 - (b) What factors would assist you in determining the capitalisation of an item of expenditure?
 - (c) Explain why the surplus in an Income and Expenditure Account will not agree with the balance in the Receipts and Payment Account.
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