

**COUNCIL OF LEGAL EDUCATION
NORMAN MANLEY LAW SCHOOL**

**LEGAL EDUCATION CERTIFICATE
SECOND YEAR EXAMINATIONS, 1997
OFFICE MANAGEMENT AND ACCOUNTING**

(Wednesday, May 28, 1997)

Instructions to Students

- (a) Time 3½ 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 candidate 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 MANAGEMENT****QUESTION 1**

Sam Worthy, Attorney-at-Law, has been a sole practitioner for almost ten 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 Worthy is in fact very hard-working and committed to providing his clients with good service.

You are entering into partnership with Sam Worthy 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 Worthy on the systems which should be put in place to address the problem.

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 duplicate Certificate 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

Lawyers are immune to the laws of economics. Discuss.

PART B**ACCOUNTING****QUESTION 5**

The following information is obtained from the accounts of Rapid Development Club at December 31, 1995 -

	DR	CR
	\$	\$
Cash	23,200	
Accounts Receivable	32,800	
Insurance - Prepaid	8,000	
Supplies	10,800	
Equipment	160,000	
Depreciation Provision on Equipment		40,000
Loans Payable		74,000
Accounts Payable		28,000
Accumulated Fund		28,200
Service Revenue		289,000
Salaries - Expense	138,000	
Rent Expense	48,000	
Advertising Expense	26,400	
Interest Expense	12,000	
	<hr/> \$459,200 <hr/> =====	<hr/> \$459,200 <hr/> =====

Additional information available at December 31, 1995 -

(a)	Insurance applicable to future period	\$ 2,800
(b)	Supplies consumed during year	7,200
(c)	Depreciation on Equipment	4,000
(d)	Accrued Interest on Loan	1,600
(e)	Accrued Salaries	4,800
(f)	Unrecorded Service Revenue to be collected	8,800

REQUIRED -

Prepare the Income and Expenditure Account for year ended December 31, 1995 and the Balance Sheet at that date.

QUESTION 6

Grey Ground maintains a manual record of Debtors' Accounts, posting entries to the Sales Ledger from copies of invoices and credit notes. Cheques and discount allowed were posted to the Sales Ledger and copies of daily cash sheets. Copy invoices and credit notes and daily cash sheets are totalled to provide for entries in the Control Account. All transfers into and out of the Sales Ledger are recorded through a Transfer Journal which is totalled to provide for entries in the Control Account.

At the end of December 1995, the balances appearing in the Sales Ledger totalled \$18,550 DR. and the balances in the Sales Ledger Control Account \$19,810 DR.

On investigation of the difference, the following errors were disclosed -

1. A copy invoice for \$160 was posted to a customer's account as \$16.
2. A copy of credit note for \$44 has been debited to a customer's account.
3. Discounts Allowed for \$28 shown on the daily Cash Sheets have not been posted to the customer's account.
4. An invoice of \$135 for B. Walker had been posted to the debit of R. Walker's account.
5. Debit balances of \$90 and \$54 have been omitted from the list of balances extracted from the Sales Ledger.
6. An account for \$220 DR in the Sales Ledger has been settled by a contra entry to the Purchases Ledger but no record has been made of this in the Transfer Journal.
7. A balance of \$118 in a Sales Ledger Account has been written off as uncollectable but has not been entered through the Transfer Journal.
8. The copy invoices were overcast by \$650.
9. Cash of \$50 paid in settlement of a customer's credit balance had been entered on the wrong side of the customer's account.

REQUIRED -

- (a) Prepare a statement reconciling the Sales Ledger List of Balances with the Sales Ledger Control Account in a format similar to a Bank Reconciliation Statement.
 - (b) What figure would appear in the Balance Sheet as Accounts Receivable Balance?
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QUESTION 7

The month by month forecast of profits of Success Ltd. for five months, May - September 1995, is given below -

(\$000)

	May	June	July	Aug.	Sept.
	\$	\$	\$	\$	\$
Materials Consumed	240	280	320	408	360
Wages	128	128	128	160	128
Depreciation	28	28	28	28	28
Factory Expenses	20	20	20	20	20
Rent	12	12	12	12	12
Salaries & Expenses	128	128	128	128	128
Advertising & Publicity	48	56	40	64	80
Sales Commission	32	36	40	52	44
	636	688	716	872	800
Profit	4	32	84	168	80
	\$640	720	800	1040	880
Raw Material - Stock c/f	\$280	320	360	280	320

The following additional information is given -

1. On average, payment is made to suppliers one month after delivery.
2. The lag in payment of wages is 1/8 month.
3. Factory Expenses are paid during the month incurred.
4. Rent is paid quarterly on the last day of March, June, September and December.

5. Salaries and Office Expenses are paid in the month in which they arise.
6. Advertising and publicity expenditure should be paid monthly but two months' credit is normally taken.
7. Sales Commission is paid one month in arrears.
8. On average, debtors take two months credit.
9. Cash Balance at the end of August is \$6,000.
10. In September \$30,000 will be paid for machinery.
11. A dividend and tax thereon amounting to \$6,000 will be paid in August.
12. Investment Grant of \$20,000 will be received in September.

REQUIRED -

- (a) Prepare Cash Budget for each of the three months to September 30 with a total column.
 - (b) Explain why the figures monthly inflow/outflow for a Cash Budget will not agree with the figures in the Budgeted Profit and Loss Account.
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QUESTION 8

- (a) What factors would guide you in deciding on the treatment of an item as capital expenditure?
 - (b) What are the advantages of control accounts?
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