

COUNCIL OF LEGAL EDUCATION
NORMAN MANLEY LAW SCHOOL

LEGAL EDUCATION CERTIFICATE
SECOND-YEAR EXAMINATIONS, 1998

OFFICE MANAGEMENT AND ACCOUNTING

(Wednesday, May 27, 1998)

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

“Undertakings are the grease which allows the wheels of conveyancing to spin freely.” Comment on this statement. You are expected to address in particular the ethical and legal liability of attorneys-at-law who give undertakings and the means by which they can protect themselves from this liability.

QUESTION 2

“Lawyers provide a service which is bought and sold like any other commodity.” Comment on this statement and give your views on the reasons why the consumer makes choices and what lawyers need to do to influence them.

QUESTION 3

Explain the process by which you would prepare a budget for a law office. Your answer should address, *inter alia*, the questions of the demands for start-up capital, working capital and ongoing income requirements. Explain how you are going to fund the budgetary requirements, both short term and long term. **You are not expected to provide actual figures.**

Comment on whether this process has anything to do with the requirement for client's funds and your own funds to be kept separate.

QUESTION 4

For all concerned, hourly charges always represent "fair and reasonable fees". Comment on this statement and explain how you would go about setting hourly rates for a very junior practitioner and also for eminent counsel.

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

The summary of the bank column in the Cash Book of Pleasure & Co. for the year ended March 31, 1997 is as follows -

Opening Balance	\$ 19,540
Receipts	<u>3,615,370</u>
	3,634,910
Payments	<u>3,432,870</u>
Closing Balance	\$ <u>202,040</u>



On examination of the Cash Book and the Bank Statement you find that

- (i) cheques paid by Pleasure & Co. totalling \$41,350 had not been presented at the bank and a lodgment of \$32,300 on March 31, 1997 had not been cleared by the bank.; *→ unpresented cheques*
- (ii) Standing Order in respect of accounting magazines had been omitted from the Cash Book for the year ended March 31, 1997 - 9 months at \$2,000 per month;
- (iii) a cheque drawn for \$1,190 had been entered in the Cash Book as \$1,910; *error * 720*
- (iv) Bank Charges of \$5,240 had not been entered in the Cash Book;
- (v) a cheque for \$8,320 had been erroneously charged to Pleasure & Company's Bank Account by the bank;
- (vi) the Bank Statement balance at March 31, 1997 showed that Pleasure & Co. had a Credit Balance of \$180,250.

REQUIRED -

- (a) Prepare the Bank Reconciliation Statement of Pleasure & Co. at March 31, 1997.
- (b) What figure would appear in the Balance Sheet of Pleasure & Co. as Cash at Bank on March 31, 1997?
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QUESTION 6

Pleasure's financial year ends on October 31 each year. From the following information, you are required to prepare the combined Rent and Rates Account for the financial years ended October 31, 1992 and 1993 respectively, balancing at October 31 and bringing out clearly the transfer to Pleasure's Income Statement (Profit and Loss Account) at those dates.

		\$
1991		
Oct. 15	Paid Rates for year ended March 31, 1992	6,000
Dec. 31	Paid Rent for half-year to date	9,600
1992		
Jun. 30	Paid Rent for half-year to date	9,600
Nov. 10	Paid Rates for year ended March 31, 1993	7,200
Dec. 31	Paid Rent for half-year	9,600
1993		
Jun. 30	Paid Rent for half-year to date	9,600
Oct. 10	Paid Rates for the year ended March 31, 1994	8,400

QUESTION 7

From the information given hereunder in respect of Dark Night Lighting Company, which produces automatic lanterns, you are required to prepare a

monthly Cash Budget for the period October 1 - December 31, 1998 with a total column.

- (a) The lantern sells at \$50 each and has a variable cost made up as follows -

Materials \$25, Labour \$8, Overhead \$2.

- (b) Fixed Cost excluding Depreciation of \$2,000 amounted to \$6,000 per month and is paid on the last day of each month.

- (c) Quantities sold/to be sold on credit are -

July	Aug.	Sept.	Oct.	Nov.	Dec.
1400.	1600	1800	2000	2200	2600

- (d) Production Quantities -

July	Aug.	Sept.	Oct.	Nov.	Dec.
1600	2000	2400	2600	2400	2200

- (e) Cash Sales at a discount of 10% expected to average 100 lanterns per month.

- (f) Customers are granted a credit period of two months after sale.

- (g) Supplies of materials are paid for two months after the use of the materials in production.

- (h) Wages are paid in the same month as the lanterns are produced.

- (i) Eighty percent of the variable overhead is paid in the month of production and the remainder in the following month.

- (j) Tax of \$20,000 is payable in equal instalments at the end of March, June, September and December.

- (k) A new motor car is to be purchased for \$25,000 and is to be paid for in five equal instalments - August to December 1998.

- (l) The Company is expected to have a debit of \$1,900 as its Cash Book Bank Balance on October 1, 1998.

QUESTION 8

The following details are extracted from the books of Roof Company for the six months ended March 31, 1997 -

	\$
Debtor Balance at October 31, 1996	- 19,260
Creditor Balance at October 31, 1996	- 12,150
Cash paid to Creditors	- 76,130
Cash received from Debtors	- 129,930
Purchases on Credit	- 88,480
Discount Received	- 2,850
Bad Debts written off	- 930
Returns Inward	- 1,820
Returns Outward	- 550
Interest charged to Debtors	- 50
Debtors' cheques dishonoured	- 760
Discount Allowed	- 3,560
Bills Payable	- 8,900
Sales on Credit	- 133,080
Bad Debts written off three years ago now recovered	- 500
A debit balance in the Accounts Payable Ledger written off to the Accounts Receivable	- 400

REQUIRED -

- (a) Prepare and balance the Accounts Payable and the Accounts Receivable Accounts at March 31, 1997.
 - (b) What are the advantages and disadvantages of Control Accounts?
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