

COUNCIL OF LEGAL EDUCATION



EXAMINATION FOR ADMISSION
TO THE ROLL OF ADVOCATES

ATP 106: LEGAL PRACTICE MANAGEMENT

TUESDAY 20TH NOVEMBER, 2012

DURATION: 3 HOURS

Instructions to Candidates

- (a) Answer **ONE** question from each of the **THREE** sections and a **FOURTH** question from any section
- (b) All questions carry 15 marks each.
- (c) Marks may be lost for illegibility

PLEASE TURN OVER

SECTION 1: COMMERCIAL ACCOUNTS

1. a) The following trial balance was extracted from the books of E. Wamithi, a small scale trader on 31st March, 2011

| | Shs | Shs |
|----------------------------|----------------|-----------------|
| Sales | | 60,000 |
| Capital | | 30,000 |
| Purchases | 30,000 | |
| Sales Returns | 5,000 | |
| Carriage in | 2,000 | |
| Wage outstanding | | 2,000 |
| Purchase Returns | | 1,000 |
| Carriage out | 3,000 | |
| Rent received | | 1,000 |
| Depreciation on plant | 4,000 | |
| Reserve for doubtful debts | | 1,000 |
| Plant account | 20,000 | |
| Salaries and wages | 3,000 | |
| Sundry creditors | | 6,000 |
| Drawings | 10,000 | |
| Bad debtors | 2,000 | |
| Loans | | 38,000 |
| Premises | 20,000 | |
| Stock 1.4.2010 | 25,000 | |
| Sundry debtors | <u>15,000</u> | <u> </u> |
| | <u>139,000</u> | <u>139,000</u> |

Additional information:

- a) Stock on 31.3.2011 was Kshs.40,000. A fire broke out in the go-down and destroyed stock worth Kshs.5,000. Insurance company had accepted the claim in full.
- b) Provide for bad debts @ 10% and provide for discount on debtors @ 5% and on creditors @ 10%.
- c) Depreciate buildings at the rate of 15% p.a.
- d) Rent outstanding amounted to Kshs.1,000.
- e) Closing stock includes samples worth Kshs.2,000.

Required:

From the above data, prepare an income statement and a balance sheet as at 31st March, 2011.

(10 marks)

- (b) Explain the importance of qualitative characteristics in the financial accounting reports.

(5 marks)

2. a) Kilima and Mbogo Advocates recorded the following transactions for the month of May 2012.
1. Received funds from various clients namely:
 - a) 60,000 (Agatha)
 - b) 75,000 (Brian)
 - c) 37,000 (Catherine)
 - d) 44,000 (David)
 2. On 24th June, Brian authorized the firm to make a payment of Kshs.15,000 to the plaintiff in her matter before the High Court as adjournment costs.
 3. A new client Madeni who required a legal opinion on a limited liability partnership was charged Kshs.50,000.
 4. On 2nd August for witnessing and certifying documents, Omollo was charged Kshs.14,000 and the firm received Kshs.24,000 from Madeni.
 5. On 11th August the firm made a payment on behalf of Omollo Kshs.4,000.
 6. On 18th August the firm filed a memorandum of appearance and a defence on behalf of Catherine. She was charged an interim deposit of Kshs.20,000 and the client authorized a transfer.
 7. The firm incurred Kshs.75,000 as expenses for the month of August.

Required:

Formulate the necessary accounts and post the transactions appropriately.

(10 marks)

- b) (i) The profit in the income statement rarely agrees with the cash and cash equivalent balance.

Explain the main reasons for such disparity.

(3 marks)

- (ii) What are the benefits of an Advocate formulating a cash flow statement?

(2 marks)

SECTION 2: HUMAN RESOURCE MANAGEMENT

3. Retaining talent is a strategic objective of any business today
- a) Explain **FIVE** factors that influence a company's potential to retain talented employees.
 - b) Explain **FIVE** measures not related to remuneration that a company can take to enhance its potential to retain talent.

(15 marks)

4. a) Differentiate between a salary, benefit and an incentive as forms of rewards that an organization can give employees.
- b) Explain **FIVE** factors that an organization can take in consideration in determining pay between different jobs.

(15 marks)

SECTION 3: OFFICE PRACTICE & RECORDS MANAGEMENT

5. The company for which you are the Company Secretary is looking for a new office block in Rwanda following a decision to expand operations throughout East Africa.

- a) Explain any **FIVE** important considerations in selecting an office location for a law firm. (10 marks)
- b) Explain how an open office layout influences positively or otherwise operational efficiency in an organization.

(5 marks)

6. You have been tasked with the responsibility for developing an inventory management system of your law firm.

- a) Explain the benefits of a sound inventory management system. (5 marks)
- b) Explain the following terms as they will apply to your ideal inventory management system
- i) Re-order level (3 marks)
- ii) Economic order quantity (2 marks)
- iii) Minimum stock level (3 marks)
- iv) Just-in-time delivery systems (2 marks)

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