

COUNCIL OF LEGAL EDUCATION.



EXAMINATION FOR ADMISSION
TO THE ROLL OF ADVOCATES.

ATP 106: LEGAL PRACTICE MANAGEMENT.

FRIDAY 16TH NOVEMBER, 2018.

DURATION: 3 HOURS.

Instructions to Candidates

- (a) This paper contains **Five (5) printed pages** including the cover page, with a total of **Seven questions**.
- (b) Candidates **MUST** answer **FIVE** questions.
- (c) **Question ONE** is compulsory and carries **20 marks**.
- (d) **All other questions** carry **10 marks each**.
- (e) Candidates **MUST** answer **ONE** question from each of the Sections and a **FIFTH** question from any Section.

PLEASE TURN OVER

QUESTION ONE

- (a) Joseph & Joseph Company Advocates operate several offices in the country. On 1 December 2017 the company acquired a new van to meet customer needs and cater for the increased business volume.

The following information relates to the initial and maintenance cost of the van.

| | Kshs. |
|--|------------|
| Cost of the van | 12,000,000 |
| Scrap value | 2,000,000 |
| Insurance premium per annum | 400,000 |
| Annual road licence fee | 12,000 |
| Replacement of tyres after every 20,000 km | 48,000 |
| Maintenance costs after every 5,000 km | 15,000 |
| Replacement of spare parts per service | 8,000 |
| Price of fuel per litre | 60 |

Additional information

- (1) The van has an economic value life of 4 years
- (2) The van has 6 tyres each costing Kshs.8,000
- (3) Service is carried out after every 5,000 km
- (4) On average the van covers 20 km per litre of fuel consumed
- (5) The van is projected to cover 100,000 km in January 2018, 25,000 km in February 2018 and 50,000 km in March 2018.

Prepare a schedule for three months showing:

- (i) Variable costs per kilometer. **(4 marks)**
 - (ii) Fixed costs per kilometer. **(4 marks)**
 - (iii) Total costs per kilometer. **(2 marks)**
- (b) Management development programmes aim to identify talent, improve skills, widen experience and help people to grow in their ability to undertake greater responsibilities. Assume you are the Human Resource Manager of a leading law firm based in Nairobi County.
- (i) Outline six (6) areas you will recommend in a training on management development. **(3 marks)**
 - (ii) Examine four (4) main purposes of evaluating a management development programme. **(2 marks)**
- (c) Effective communication in a law firm ensures that activities are well interrogated and coordinated in order to achieve the objectives of the firm.
- (i) Explain three main objectives of effective downward communication in a law firm. **(3 marks)**
 - (ii) Explain the challenges faced by Advocates in the communication process. **(2 marks)**

SECTION A - COMMERCIAL ACCOUNTS

QUESTION TWO

The following financial information is available in Kondari and Leonard Advocates books who share profit and loss in the ratio 1:1 at 31 December 2017.

**KONDARI & LEONARD ADVOCATES
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017**

| | Kshs.(000) | Kshs. (000) |
|---------------------------------|------------|-------------|
| Non-Current Assets: | | |
| Freehold property | 48 | |
| Equipment | 142 | |
| Motor vehicles | 752 | |
| Other investments | 1,500 | 2,442 |
| | ----- | |
| Current Assets: | | |
| Outstanding fees | 240 | |
| Cash at bank: Office | 606 | |
| Client | 64 | 910 |
| | ----- | ----- |
| Total Asset | | 3,352 |
| Non-Current Liabilities: | | |
| Capital Accounts: Kondari | 1,654 | |
| Leonard | 1,500 | 3,154 |
| | ----- | |
| Current Liabilities: | | |
| Client accounts | 64 | |
| Accrued rent | 68 | |
| Accrued salaries | 66 | 198 |
| | ----- | ----- |
| | | 3,352 |
| | | ===== |

RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2017

| Receipts | Kshs. '000' | Payments | Kshs. '000' |
|-----------------------------------|-------------|---|-------------|
| Fees for services rendered | 1,772 | Equipment purchased | 298 |
| Client deposit for land buying | 768 | Drawings: Kondari | 150 |
| | | Leonard | 150 |
| Current deposit for criminal case | 648 | Deposit for land purchase contract for client | 460 |
| Disbursements: | | | |
| Stationery | 24 | Transport | 112 |
| Transport | 30 | Office rent | 448 |
| Miscellaneous | 46 | Telephone and postage | 146 |

| | | |
|--|------------------------|-----|
| | Printing & Stationery | 76 |
| | Motor vehicle expenses | 196 |
| | Water & Electricity | 70 |
| | Office repairs | 36 |
| | Salaries & Wages | 480 |
| | Miscellaneous expenses | 104 |

The following information is also provided for the year ended 31 December 2017:

- (i) Accrued expenses were: Kshs.'000'
- | | |
|-----------|----|
| Telephone | 10 |
| Rent | 54 |
| Salaries | 56 |
- (ii) Disbursement for stationery of Kshs.10,000, transport Kshs.6,000 and miscellaneous expenses Kshs.2,000 have been charged to the client's account.
- (iii) During the year a criminal case was defended. The advocate raised an interim fee note for Kshs.250,000 but no entries have been made in the books.
- (iv) Fees in arrears at the year end was Kshs.640,000. The advocates have agreed to create a reserve against the fees in arrears.
- (v) Depreciation is to be provided for on a reducing balance at 12.5% for freehold property, 15% for equipment and 25% for motor vehicles.
- (a) Prepare an Income and Expenditure account for the year ended 31 December 2017. **(5 marks)**
- (b) Prepare Statement of Financial position as at 31 December, 2017. **(5 marks)**

QUESTION THREE

- (a) What conflicts exist in the application of fundamental accounting concepts? **(2 marks)**
- (b) Discuss the following types of errors:
- | | |
|----------------------------------|------------------|
| (i) Error of commission | (2 marks) |
| (ii) Error of principle | (2 marks) |
| (iii) Complete reversal of entry | (2 marks) |
| (iv) Compensating error | (2 marks) |

SECTION B - HUMAN RESOURCE MANAGEMENT

QUESTION FOUR

You are the head of Human Resources Department in a medium sized law firm. The new Managing Partner mentioned to you that in her last place of employment they did not have a Human Resources Department and according to her it is an unnecessary cost that can be avoided.

Discuss five (5) ways in which the Human Resources Department contributes towards the achievement of the firm's goals. **(10 marks)**

QUESTION FIVE

The Senior Partner of a law firm has noted the need to engage the services of a consultant to conduct a job analysis in the firm.

Discuss five (5) justifications why job analysis is useful in almost every phase of employee relations. **(10 marks)**

SECTION C - OFFICE PRACTICE

QUESTION SIX

For the effective operation of a law firm, there is need to have a procurement policy that ensures the right quality and quantity of resources needed are procured from the right supplier at a competitive price. Agreements on the mode and time of delivery should also be pre-defined and contingency plans established to cater for unforeseen uncertainties such as floods, terrorist attacks etc.

- (a) Define the term policy and discuss two examples of policies you would enforce in your law firm. **(5 marks)**
- (b) Explain five principles that guide the implementation of a procurement policy in a law firm. **(5 marks)**

QUESTION SEVEN

John and Andrew have been operating a successful law firm in Kenya for the last ten years. Recently the law firm is experiencing operational challenges. Some client documents cannot be traced. It takes too much time to retrieve documents for reference. In a recent incident client's information went missing and no one in the office could take responsibility for the missing file. Andrew realized that they had a challenge with record keeping one morning when he came in early and found the missing files in a dustbin. The files in question could have been used later for reference.

- (a) Advise Andrew and John on the principles of good records keeping that could guide the operations of their firm. **(5 marks)**
- (b) Records become less important as time passes by. Explain to Andrew and John the concept of record life cycle and the factors to consider in retaining records in their firm. **(5 marks)**

END