

COUNCIL OF LEGAL EDUCATION.



EXAMINATION FOR ADMISSION  
TO THE ROLL OF ADVOCATES.

**ATP 106: LEGAL PRACTICE MANAGEMENT.**

WEDNESDAY 25<sup>TH</sup> JULY, 2018.

DURATION: 3 HOURS.

**Instructions to Candidates**

- (a) This paper contains **Seven 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) You have recently been appointed as a lawyer for a bank and a customer brings a complaint that his bank statement and cashbook balances do not agree.

Discuss the above scenario and explain to the customer the importance of preparing bank reconciliation. (4 marks)

- (b) Distinguish between the following cost accounting terminologies:

- (i) Direct and indirect cost (2 marks)
- (ii) Cost center and cost unit (2 marks)
- (iii) Joint products and by-products (2 marks)
- (iv) Period costs and product cost (2 marks)

- (c) Two accounting concepts or conventions could clash or there could be inconsistency between them. Define the concepts below and discuss their implication in the preparation of financial statements:

- (i) Materiality concepts (2 marks)
- (ii) The going concern concept (2 marks)
- (iii) Business entity concept (2 marks)
- (iv) Realization concept (2 marks)

### SECTION A - COMMERCIAL ACCOUNTS

#### QUESTION TWO

The following information relate to Alex and Company Advocates who maintain separate bank accounts. On January 1, 2018, the balance at the bank on office account was KShs.1.5 million and on the client account was KShs.5 million made up of:

	Kshs. "000"
Karimi trust	2,500
Tengemea Group	500
Green Land Estates	250
King Place Ltd	1,250
Wings car buying company	500
	=====
TOTAL	5,000
	=====

The following transactions took place during the month of January

- January 2 Paid Kshs.100,000 fire insurance premium for a house belonging to Karimi Trust.
- 5 Received Kshs.50,000 rent on behalf of Green Land Estates.
- 5 Paid Green land estates Kshs.285,000 being rent collected for December 2017 less agreed costs.
- 6 Received Kshs.500,000 from Latex Ltd being a debt due to Kings Place Ltd.
- 7 Received Kshs.1,000,000 from Settler Ltd. in advance of professional services to be rendered.
- 9 Paid Kshs.200,000 into Alex & Company Advocates fixed deposit account on behalf of Karimi Trust.
- 10 Paid King Place Ltd Kshs.1,700,000 being debts collected on its behalf, less costs as agreed.
- 11 Drew as agreed Kshs.25,000 on account of costs from Tengemea Group.
- 15 Paid telephone Kshs.3,000 and electricity Kshs.1,500.
- 16 Paid Kshs.300,000 to Kamau at the request of Wings Car Company.
- 17 Received Kshs.20,000 from XYZ company on behalf of Settler Ltd as a proceeds of sale of land in Nairobi.
- 20 Debited costs of Kshs.220,000 against Wings Car Company and an additional Kshs.2,000,000 against Settler Ltd and paid the balance due.
- 25 Received insurance compensation of Kshs.1,500,000 for the late Karimi which was to be paid to his trust.
- 28 Paid salaries Kshs.250,000, rent Kshs.15,000.
- 28 Purchased stationery Kshs.30,000.
- 29 Paid repairs Kshs.100,000 for Karimi Trust house.
- 31 Debited costs Kshs.25,000 against Karimi Trust.

- (i) Post the following transactions in the client ledger accounts. (4 marks)
- (ii) Prepare cashbook for the month of January 2018. (4 marks)
- (iii) Reconcile the client's bank account and client's personal account. (2 marks)

**QUESTION THREE**

- (a) Briefly explain the importance of a cashflow statement to a business entity. (2 marks)
- (b) XYZ Ltd close its books every 31 December. Given below are the comparative statement of financial position of XYZ Ltd for the year ended 31 March 2017 and 2018.

**XYZ LTD**  
**Statement of Financial Position**

	2018 (000)	2017 (000)
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Land and Building	95,000	55,000
Motor vehicles	45,000	35,000
Furniture and Fixtures	25,000	28,000
	-----	-----
	166,000	118,000
	-----	-----
<b>Current Asset</b>		
Stock	28,000	20,000
Debtors	14,000	16,000
Prepayments	6,000	8,000
Bank balance and cash in hand	-	3,000
	-----	-----
<b>Total Assets</b>	48,000	47,000
	214,000	165,000
	=====	=====
<b>EQUITY AND LIABILITIES:</b>		
<b>Capital and Reserves</b>		
Ordinary share capital	80,000	50,000
Share premium	20,000	15,000
Revaluation reserve	15,000	25,000
Retained profit	18,000	15,000
	-----	-----
	133,000	105,000
	-----	-----
<b>Non-Current Liabilities</b>		
10% debentures	30,000	20,000
Bank loan	6,000	10,000
	-----	-----

	36,000	30,000
	-----	-----
<b>Current Liabilities:</b>		
Trade creditors	23,000	15,000
Interest payable	9,000	6,000
Current tax	6,000	5,000
Proposed dividends	3,000	4,000
Bank overdraft	4,000	-
	-----	-----
	45,000	30,000
	-----	-----
Total equity and liabilities	214,000	165,000
	=====	=====

The following additional information is provided for the year 31 March 2018:

- (1) Land and buildings were revalued upwards by 10,000,000 during the year. In addition, an acquisition of land and building of Kshs.40,000,000 was made.
- (2) Depreciation on motor vehicles amounting to Kshs.40,000,000 was provided in the profit and loss account for the year. Motor vehicles having a net book value of Kshs.8,000,000 were sold at a profit of Kshs.3,000,000 during the year.
- (3) Bonus share of Kshs.20,000,000 were issued at par during the year by utilizing the revaluation reserve. XYZ ordinary shares have a par value of Kshs.20.
- (4) Interest expenses charged to the profit and loss account for the year amounted to Kshs.800,000.
- (5) During the year, tax amounting to Kshs.6,000,000 was paid.
- (6) Total dividend for the year (both interim and proposed) amounted to Kshs.5,000,000.
- (7) The profit after tax for the year amounted to Kshs.8,000,000.

Prepare cashflow statement for the year ended 31 March, 2018.

(8 marks)

## SECTION B - HUMAN RESOURCE MANAGEMENT

### QUESTION FOUR

- (a) Any neglect in the area of induction and orientation may lead to labour turnover, confusion and wasted time and expenditure.

Explain the purpose and need for induction of new employees.

(5 marks)

- (b) Explain five (5) consequences that an organization is likely to experience in case of employee separation.

(5 marks)

### QUESTION FIVE

In actual practice, it is always not easy to find and select a suitable candidate for a job opening. The Human Resource Manager is usually constrained in the process of ensuring that the most qualified candidate to fill the job opening is recruited.

- (a) Provide an analysis of five (5) possible constraints that may hinder a Human Resource Manager from effectively filling a job opening. **(5 marks)**
- (b) A recruitment and selection policy is a statement of principle outlining how the law firm will conduct its recruitment.

Discuss five (5) reasons why an organization requires a recruitment and selection policy. **(5 marks)**

### SECTION C - OFFICE PRACTICE

### QUESTION SIX

Located in the County of Aboria, Kerio Tea Plantation is a large scale tea estate employing over 15,000 workers both male and female on a full-time basis. There have been many allegations of sexual harassment in the tea plantation during work but the company has always taken a defensive rather than proactive approach to these allegations. The company has not developed any structures to address or prevent sexual harassment. Sexual coercion acts and forced pregnancy are among the cases reported to management. Recently in an interview with the human rights commissioner of Aboria, the management admitted that they had received numerous cases of sexual harassment complaints but after conducting their own investigations they found that most of these cases were unfounded cases of spurious malice.

- (a) Define to the Kerio Tea Plantation management the meaning of the terms sexual harassment. **(2 marks)**
- (b) Explain to the management three (3) forms of sexual harassment that they should be aware of. **(3 marks)**
- (c) Give five recommendations to the management of Kerio Tea Plantation on how they can create an environment that is free of sexual harassment. **(5 marks)**

### QUESTION SEVEN

Ongiri and Ngendo have decided to set up a firm that deals with offering legal services as well as tax services. They both agree that front office department is an unnecessary expense to the firm and therefore they do not need one. They also agree that they would not invest on information communication technology as this would also increase the set-up costs unnecessarily. As much as possible, they would operate using manual systems. For non-core activities such as filing tax returns, they would outsource to another firm. New clients referred

to them by their customers have complained recently that the two are mostly unavailable in the office and there is no one to leave message to.

- (b) Explain to Ongiri and Ngendo on the five (5) effects ICT has had on advocates today. **(5 marks)**
- (c) Critically analyse the use of outsourcing strategy in an organization. **(5 marks)**

-----  
END

CLE ATP 106 - July 2018