

# ALA CERTIFIED LEGAL MANAGER PRACTICE EXAM (SAMPLE)

## STUDY GUIDE



*Prepare with structure. Pass with confidence*



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# Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

# How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

## 1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

## 2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

## 3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

## 4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

## 5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

## 6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

## Questions

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- 1. How is the Return on Equity Ratio calculated?**
  - A. Net Income divided by Total Revenue
  - B. Net Income divided by Shareholder's Equity
  - C. Total Revenue divided by Total Assets
  - D. Net Income multiplied by Debt
- 2. Which method calculates depreciation by dividing the gross book value by the useful life of an asset?**
  - A. Declining Balance Method
  - B. Units of Production Method
  - C. Straight-Line Depreciation
  - D. Accelerated Depreciation Method
- 3. What financial situation does Business Interruption Insurance cover?**
  - A. Loss from theft
  - B. Loss from fire
  - C. Loss of net profits from operational disruptions
  - D. Loss from equipment breakdown
- 4. In the context of law firms, what is meant by "change readiness"?**
  - A. The preparedness to handle large cases
  - B. The extent to which the firm can implement change initiatives
  - C. The willingness to adopt new technologies
  - D. The ability to manage employee conflicts
- 5. What does the R/U Ratio measure in the context of commercial leasing?**
  - A. Ratio of rental income to maintenance costs
  - B. Division of the rental area by the usable area of a floor
  - C. Percentage of lease space occupied
  - D. Ratio of tenant improvements to base rent

- 6. Which error occurs when all employees are rated within a narrow range in the middle of a performance scale?**
- A. Central Tendency Error
  - B. Halo Effect
  - C. Leniency Error
  - D. Contrast Error
- 7. What does tail coverage in professional liability insurance primarily address?**
- A. Future claims only
  - B. Claims that have arisen recently
  - C. Past work for which claims have not arisen
  - D. Current active claims only
- 8. What is referred to as the nominal or face value assigned to a bond or stock?**
- A. Par Value
  - B. Market Value
  - C. Book Value
  - D. Nominal Value
- 9. What does a Net Lease typically require the tenant to pay for?**
- A. Base rent only
  - B. Base rent and some operating expenses
  - C. All operating costs and maintenance
  - D. Only property tax
- 10. Which lease type is typically more favorable to the landlord due to variable costs?**
- A. Net-Net Lease
  - B. Net Lease
  - C. Gross Lease
  - D. Absolute Net Lease

## **Answers**

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1. B
2. C
3. C
4. B
5. B
6. A
7. C
8. A
9. B
10. B

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## **Explanations**

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## 1. How is the Return on Equity Ratio calculated?

- A. Net Income divided by Total Revenue
- B. Net Income divided by Shareholder's Equity**
- C. Total Revenue divided by Total Assets
- D. Net Income multiplied by Debt

The Return on Equity (ROE) ratio is calculated by taking the net income of a company and dividing it by the shareholder's equity. This ratio is an essential measure in finance as it indicates how effectively a company is using the equity invested by its shareholders to generate profit. A higher ROE means that the company is more efficient at converting the equity financing it received into profits, which is an attractive feature for current and potential investors. Shareholders want to know how well their capital is being utilized, and ROE provides a clear insight into this performance metric. This ratio is particularly useful for comparing the profitability of companies within the same industry, as it reflects the return generated on the shareholders' investment directly. The other options do not accurately represent how ROE is determined. Net income divided by total revenue reflects the profit margin, while total revenue divided by total assets assesses asset efficiency and turnover. Multiplying net income by debt does not yield any meaningful financial ratio related to shareholder returns. Thus, the formulation using net income and shareholder's equity is the correct approach for calculating the Return on Equity Ratio.

## 2. Which method calculates depreciation by dividing the gross book value by the useful life of an asset?

- A. Declining Balance Method
- B. Units of Production Method
- C. Straight-Line Depreciation**
- D. Accelerated Depreciation Method

The method that calculates depreciation by dividing the gross book value of an asset by its useful life is referred to as the Straight-Line Depreciation method. This approach spreads the cost of an asset evenly over its estimated useful life, making it simple to determine the annual depreciation expense. By using this method, businesses can easily budget for asset depreciation, providing a clear and consistent expense reflection in financial statements. This uniform approach is particularly beneficial for assets that are expected to provide steady benefits over time, as it ensures that the expense reflects that ongoing utility. In contrast, other methods like the Declining Balance Method and the Units of Production Method offer different calculations that may reflect a more variable or accelerated depreciation pattern, based on usage or an upfront heavy charge in the early years of the asset's life.

### 3. What financial situation does Business Interruption Insurance cover?

- A. Loss from theft
- B. Loss from fire
- C. Loss of net profits from operational disruptions**
- D. Loss from equipment breakdown

*Business Interruption Insurance is specifically designed to cover the loss of net profits that a business might experience as a result of operational disruptions. These disruptions could stem from various unforeseen events, such as natural disasters, fires, or other incidents that lead to a temporary shutdown of business operations. The primary focus of this type of insurance is the income loss that occurs during the period of interruption, which can significantly impact a company's cash flow and overall financial stability. This insurance aims to help businesses recover lost income, cover fixed expenses, and maintain financial obligations while they get back on their feet after a disruptive event. It does not cover losses from theft, fire damage itself (although fire may incur business interruption claims if it leads to an operational halt), or equipment breakdowns, which are typically addressed by their respective types of insurance policies.*

### 4. In the context of law firms, what is meant by "change readiness"?

- A. The preparedness to handle large cases
- B. The extent to which the firm can implement change initiatives**
- C. The willingness to adopt new technologies
- D. The ability to manage employee conflicts

*The concept of "change readiness" in law firms primarily refers to the extent to which the firm can implement change initiatives successfully. This involves assessing the organizational culture, resources, and strategies in place that facilitate or hinder effective change management. A firm that is "change ready" possesses a proactive attitude toward change, effective communication channels, and a framework to support the implementation of new processes or policies. Being change ready means that the firm has not only recognized the need for change but has also created an environment that encourages adaptation and flexibility. This can include training programs, leadership support, and a clear vision for the future that aligns with the firm's goals. Change readiness is crucial in a dynamic legal environment where technological advancements and shifting client expectations are constant. While the other choices touch on aspects that may relate to change (such as handling large cases, adopting new technologies, or managing conflicts), they do not fully encompass the broader and more strategic nature of change readiness. Change readiness specifically highlights organizational capability and preparedness, distinguishing it from other operational considerations.*

## 5. What does the R/U Ratio measure in the context of commercial leasing?

- A. Ratio of rental income to maintenance costs
- B. Division of the rental area by the usable area of a floor**
- C. Percentage of lease space occupied
- D. Ratio of tenant improvements to base rent

*The R/U Ratio, or Rentable to Usable Ratio, specifically measures the relationship between rentable area and usable area within a commercial leasing context. The rentable area includes the total square footage that a tenant is charged for, which encompasses both the usable area occupied by the tenant and a proportionate share of common areas such as lobbies, hallways, and restrooms. This ratio provides valuable information to both landlords and tenants about how much of the rented space is actually usable versus the total space a tenant is paying for. A higher ratio indicates more common area included in the rented space, which may impact the actual value a tenant perceives they are receiving for their rental cost. This understanding is crucial for tenants to evaluate lease options and for landlords to design spaces effectively. Using the R/U Ratio can also assist in making informed decisions regarding lease negotiations and understanding the implications of shared spaces in commercial properties, allowing both parties to align their expectations accordingly.*

## 6. Which error occurs when all employees are rated within a narrow range in the middle of a performance scale?

- A. Central Tendency Error**
- B. Halo Effect
- C. Leniency Error
- D. Contrast Error

*The central tendency error occurs when all employees are rated in the middle range of a performance scale, regardless of their actual performance levels. This error reflects a tendency for evaluators to avoid selecting extremes – either very high or very low ratings – leading to a clustering of scores around the midpoint. This can happen for various reasons, such as a desire to be fair or difficulty in making distinctions between employee performances. By relying on this middle-ground rating, the central tendency error fails to acknowledge the full spectrum of performance levels. As a result, high performers may not receive the recognition they deserve, while low performers may not be identified for improvement opportunities. This type of error undermines the effectiveness of the performance appraisal system, as it does not provide meaningful feedback that can inform decisions regarding promotions, development needs, or disciplinary actions. Understanding central tendency is important for managers because it emphasizes the need for training in performance appraisal techniques and encourages more differentiated assessment practices that accurately reflect employee contributions and performance outcomes.*

**7. What does tail coverage in professional liability insurance primarily address?**

- A. Future claims only
- B. Claims that have arisen recently
- C. Past work for which claims have not arisen**
- D. Current active claims only

*Tail coverage in professional liability insurance serves a critical function by extending coverage for claims related to work that was completed prior to the policy's expiration but for which claims may arise afterward. Essentially, it protects professionals against allegations stemming from past services even after they have stopped practicing or their policy has ended. This is particularly important in professions such as law and medicine, where claims can emerge long after services have been provided. The correct option highlights the focus of tail coverage on claims that may not have yet been filed but arise from past work. By obtaining tail coverage, professionals ensure that they are protected against potential lawsuits for incidents that occurred during the period of coverage but are reported after the coverage ends. Understanding tail coverage is vital for professionals in managing their risk and ensuring that they are not left vulnerable to claims related to their previous work, which may not surface until many years later.*

**8. What is referred to as the nominal or face value assigned to a bond or stock?**

- A. Par Value**
- B. Market Value
- C. Book Value
- D. Nominal Value

*The term that refers to the nominal or face value assigned to a bond or stock is known as par value. Par value is the original value of a bond or stock as stated on the certificate; it represents the amount that will be returned to the bondholder at maturity or the initial value of stock equity in the case of stock. This value is important as it gives investors a baseline for the bond or stock's worth and plays a critical role in various financial calculations, such as the yield on a bond or the computation of dividends per share for stocks. While market value represents the current trading price, book value relates to the company's assets minus liabilities, and nominal value is another term used but often interchangeably with par value. However, within specific financial contexts, par value is the designated and recognized term for the face value of bonds and stocks.*

## 9. What does a Net Lease typically require the tenant to pay for?

- A. Base rent only
- B. Base rent and some operating expenses**
- C. All operating costs and maintenance
- D. Only property tax

*A net lease typically requires the tenant to pay base rent along with some operating expenses. In this leasing arrangement, the landlord may pass on certain costs that are usually associated with property ownership directly to the tenant. This can include things such as property taxes, insurance, and maintenance costs, depending on the specifics of the lease. The reason this structure is prevalent is to provide a clearer understanding of the financial responsibilities for all parties involved. It allows the landlord to receive a steady income from the base rent while ensuring that they are not responsible for variable costs that can fluctuate over time. In contrast, a structure that only requires the tenant to pay base rent leaves the landlord responsible for all associated costs, which can be less predictable. While some leases may require tenants to pay all operating costs and maintenance, this would typically be referred to as a "triple net lease," which is a more comprehensive arrangement than what is implied here. Meanwhile, having a requirement of only property tax would not encompass the broader financial obligations that come with a net lease.*

## 10. Which lease type is typically more favorable to the landlord due to variable costs?

- A. Net-Net Lease
- B. Net Lease**
- C. Gross Lease
- D. Absolute Net Lease

*The net lease is typically more favorable to the landlord because it allows for the passing of variable costs associated with property ownership to the tenant. In a net lease structure, tenants are responsible for additional expenses beyond just the base rent, often including property taxes, insurance, and maintenance costs. This means that the landlord can maintain a more predictable income stream, as these costs are less likely to impact their financial performance directly. This arrangement shifts some financial responsibilities onto the tenant, making it easier for landlords to budget and manage their properties without unexpected expenses. While gross leases offer more stability for tenants by including all costs in a fixed rent payment, they can make it riskier for landlords if property expenses unexpectedly rise. In contrast, types like absolute net leases place even more costs onto the tenant, such as replacing the roof or structural repairs, but with a standard net lease, the landlord still retains some responsibility for serious maintenance issues. This strategic allocation of costs makes the net lease an appealing choice for landlords seeking to optimize their investment returns while mitigating risk.*

## Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at [hello@examzify.com](mailto:hello@examzify.com).

Or visit your dedicated course page for more study tools and resources:

<https://alacertifiedlegalmanager.examzify.com>

We wish you the very best on your exam journey. You've got this!

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