

## Legal Accounting Software Makes More \$ense

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After word processing, the law office function that is the most likely candidate for automation is accounting.

As an IT Consultant to Law Firms in Singapore, I notice that a majority of small to medium sized law firms are using generic off-the-shelf business accounting software (such as MYOB or QuickBooks) instead of accounting software that is specifically designed for law firm accounting ("Legal Accounting Software").

### Serious Limitations of Generic Accounting Software

These firms have found themselves disadvantaged by the serious limitations in their generic accounting software. In particular, generic accounting software will NOT be able to –

(a) Record and compute time for each matter / client. Even if you engage only in transactional type work, such as in a commercial or conveyancing practice (where the client is not charged by time), time records are necessary when you wish to conduct a meaningful cost analysis for yourself in a solo practice or for your partners and associates in a partnership;

(b) Create Client Accounts or Trust Accounts that are specific to monies paid on account by a client;

(c) Record these types of transactions, nor generate complete reports that have reference to the following - disbursements incurred on behalf of a client and drawn from the office account; balance of monies paid on account by a client; and status of invoices issued to a client.

It is also quite likely that the inadequate reporting functions of generic accounting software will give you a less than accurate picture of the financial status of your practice.

To compensate for such serious limitations in their generic accounting software, a few law firms have even resorted to devising a system of manual record-keeping in excel spreadsheets. For example, manually recording the same client/matter/bookkeeping data once into the generic accounting software, and then again into a manual system outside of the accounting software (word/excel/handwritten). This "double entry" not only defeats the original aim of automating the Firm's bookkeeping functions but is also an inefficient use of your time. More significantly, making the same entries twice doubles the chances of inaccurate reporting and creates discrepancies in the bookkeeping records; resulting in an inaccurate picture of the firm's accounting status.

### Billing Functions

Law Firms that use generic accounting software will find that it cannot automate an important yet agonizingly time-consuming task - **BILLING**. Without specialized legal accounting software that automates this function, lawyers and their secretaries have no choice but to manually record the amount of time on a timesheet, correspond this with the specific case that is being billed, and finally multiply that amount against his charge out rate. All these steps must be taken simply so that the client can be billed for time spent on his case. Clearly time recording and billing are inescapable law office processes that *demand*s automation.

Lawyers who find their staff spending far too many unproductive hours on bookkeeping and time / billing functions should *definitely* move away from generic accounting software to legal accounting software.

### Features of Legal Accounting Software

A good Legal Accounting Software will make it possible for a Firm to completely automate the following bookkeeping/accounting functions:

1. Office Accounts
2. Client Accounts
3. Billing
4. Income Statement, Balance Sheet and General Ledger

The table below describes some of the Reports that a legal accounting software is able to generate in real time, at the click of your mouse –

REPORT	FUNCTION
Client Ledger Report	Lists complete matter history - time, fees billed, client, disbursements and receipts, write ups/write downs by date, client, matter and lawyer.
Client Summary & Matter Status	Lists billed and unbilled hours, fees, disbursements, trust and accounts receivable balances, last bill and trust entry date by date, lawyer, client, matter or dollar value.
Receivables by Client	Lists billed but unpaid amounts by date, matter, client and lawyer.
Billing by Lawyer	Lists fees billed by lawyer and total firm fees by date range or by area of practice.
Work in Progress (unbilled) Report	Lists aged amounts of unbilled hours, disbursements and fees for each matter by date range, firm, client, matter, or timekeeper.
Collection Summary Report	Lists amounts of retainers, cash receipts, hours, fees and disbursements billed; payments made against fees and disbursements; accounts receivable; monitor lawyer contribution to cash flow.
General Bank Report	Lists disbursement and receipt transactions for office bank accounts by date, G/L account, check number and bank account.

### And it doesn't stop at automating bookkeeping functions either!

Consider also the following additional benefits and advantages that a good Legal Accounting Software offers and you will see why purchasing a good Legal accounting Software makes good sense:

#### 1. Compliance with SAR Rules

A good Legal Accounting Software will have "built-in alerts" to ensure that you do not inadvertently breach the Solicitor's Accounting Rules:

- (i) transfer sums from the Client's account which would result in a negative balance in the Client's Account;
- (ii) transfer sums from the Client's Accounts exceeding the amount of outstanding invoices + disbursements incurred on behalf of the Client.

## 2. Better Practice Management

Aside from law firm accounting functions, most Legal Accounting Software also delivers in-built Practice Management features, such as:

- (i) File Opening and Closing;
- (ii) Conflicts Searches;
- (iii) Timekeeping;
- (iv) Calendaring;
- (v) Contact Management;
- (vi) Management Reports; and
- (vii) Security features that allow the Administrator to confer and restrict differing levels of access rights and user privileges to different members of your law office.

The implementation of Legal Accounting Software will clearly not only perform the bookkeeping functions, it is likely to enhance the productivity levels of just about everyone in the office. And it will help you run a tighter ship.

## 3. Debt Recovery / Debt Management

A good legal accounting software can help you to keep on top of your accounts receivables by sending you a notification when bills are still unpaid after a selected aging period. Some will even generate standard reminders to recalcitrant clients. You just have to set up the limits according to your credit policy once and the system of alerts and reminders is automated over every matter until the bill is paid or written off.

Other useful "alerts" include those that will notify you as soon as your WIP (based on the time you have recorded on this matter or client x your charge out rates + disbursements incurred) exceed the amount that the Client has paid on account or a pre-set credit limit.

I have known law firms to give their clients a rating (in their accounting / practice management systems) that corresponds with a set of pre-selected credit limits and policies.

## 4. Scalability

Legal Accounting Software will also integrate with other market leading practice management software, including:

- (i) Case Management (such as Amicus ([link to Bizilaw writeup](#)));
- (ii) Document Management (such as Worldox ([link to Bizilaw writeup](#)));
- (iii) Document Assembly software (such as Hotdocs ([link to Hotdocs website](#)) or Ghostfill ([link to ghostfill website](#))).

So when you are ready to adopt or upgrade your practice management software, you will not have to run 2 different systems that cannot communicate with each other. We can bet that whatever generic accounting software you are using will not integrate easily with other third party legal technology applications.

## **The Bottomline**

It used to be that only the large Law Firms could afford to implement the high-end multiple-user type of legal accounting software (some examples are Legalpac, Solution 6, Elite and Locus). Also because of the relatively small number of adoptions in Singapore, adopters did not enjoy local customer support (maintenance, upgrades and helpdesk). However, all that

has changed. Software application providers have now developed a whole gamut of legal accounting software that suit the budget and transaction / user volume of small and solo practices everywhere. Home grown companies like Bizibody Technology now distribute and render local support for Legal Accounting Software to law firms ranging from solos to large international law firms with headcounts of more than 350.

One example of market leading Legal Accounting Software suitable for smaller practices (and more modest budgets) that are now available in Singapore, Malaysia and Hong Kong is Middleware System's Open Practice. While OPEN PRACTICE is new in the Asian legal market, it must be noted that it has been fully tried and tested and more than 450 law firms in Australia are now using Open Practice.

### **Starting a New Firm**

If you are starting a new Firm, you should definitely consider implementing a Legal Accounting Software, even if you are minded to outsource some aspects of the book-keeping.

This will allow you to (i) have greater control over your books and the processes associated with bookkeeping and accounting; (ii) save money you would have spent in outsourcing the bookkeeping functions; (iii) reduce the number of back office support staff; and (iv) automate other aspects of your practice, including timekeeping, file opening / closing, conflicts searches and billing.

With the range of Legal Accounting Software available in the market today, undertaking your own bookkeeping has become a whole lot easier than what it used to be; and you still get to enjoy all the attendant benefits conferred by the functionalities of the software.

### **Switching Over**

If you are already running a Practice and have used the same generic accounting software for more than 5 years, it is time to consider switching. Every member of your staff who are presently charged with the Timekeeping, Bookkeeping, Bank Accounts Management, File Opening / File Closing and Billing functions in your office will thank you for it! While YOU Stay on Top of the financial management of your Practice.

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*Before embarking on Bizibody, Serena practiced as a lawyer for 11 years with a leading law firm in Singapore. As Chief Business Process Analyst at Bizibody, Serena has led the successful implementation of Open Practice / Law Ledger for our Clients.*