



# Case Study 03

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## Bookkeeping for Law Firm

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Meru accounting is helping a Law Firm to manage its complex books of accounts and keeping up-to-date with its books of accounts.

## Problems Faced

1. Customers money was received in Trust account and then transferred to operating account once the work is done.
2. Law firm faced problem on how to track the liabilities owed to customer for money received and work not done.
3. Receivables tracking and chasing of unpaid invoices.

## Solutions

1. We have used Xero as accounting system.
2. We track all the money owing to client towards Escrow account for the work not done and money received.
3. Need to do monthly billing on billing software.
4. Need to send a cash snapshot to management every Wednesday of the week.
5. Some of the management reports which we can generate are:
  - Monthly P&L
  - Monthly Balance Sheet
  - Cash Flow Forecast
  - Monthly Sales tax payable
  - Expense by Vendor
  - Monthly Salary by employee
  - Cash Balance by week

## 6. Bank.

- Expenses are recorded mainly through bank payments
- Bank Feeds need to be matched on a daily basis so that transactions can be reconciled.
- Need to download transactions via bank downloads and import QB web connect file
- Need to send a cash snapshot to management every Wednesday of the week

## Bookkeeping made easy for Law firms

All the businesses desire to keep their accounting record in a good format. When it comes to law firms maintaining the bookkeeping along with other financial records is quite a difficult task. Be it a big or small law firm, maintaining the financial bookkeeping has been a troublesome job for many of them. The fact that the billing system of the law firm is different from other business has made it difficult for them to maintain a proper record. The process of maintaining proper bookkeeping is a very complex process for law firms due to many of the problems faced by them.

### Some of the common problems faced by the law firms are as follows:

#### 1. Processing with client trust account

Processing of the client trust account is one of the most major problems in law firms. In this account, the money for the client is held by the law firm to meet the expenses of the

client. The client trust account is also called an IOLTA account (Interest on Lawyers Trust Account). The account is different from the operating account and identifying the funds is a major problem in most of the law firms. Using the amount from the client trust account is not possible here.

## **2. The problem in identifying the money received and respective work done**

It is very difficult to identify the money received from the client in the trust account and respective work is done against it. Many of the legal proceedings have a longer duration and the lawyers have to put their efforts into it until then. So, it becomes difficult here to identify the work done concerning the amount received.

## **3. Tracking the invoices**

A law firm has any numbers of clients and it becomes practically very difficult to track the receivables from different clients. Also, tracking unpaid clients is a big problem for law firms. The law firm must get a proper track record of all the unpaid invoices in a systematic order.

These are some of the major problems faced by law firms in maintaining the records of financial accounting. Sorting out these jargons is very essential for the law firms for the smooth processing of the business.

## Here, are some of the solutions which Meru Accounting uses to solve these problems more easily:

- 1. We use Xero accounting system** Meru Accounting uses the Xero accounting software through which the bookkeeping activities are done in a very systematic way. Xero is an automated system where all the financial transactions are recorded in a very professional way.
- 2. Tracking the financial records through the Escrow account** We encourage the use of Escrow accounts through which the clients of the law firms are given the authority to release the money to a law firm as per the work is done. This helps to get the money in a timely order and maintaining the financial recordings in the correct order.
- 3. Cash Snapshot on regular intervals** We do the billing to the clients on a timely order ensuring proper payment. We also give a snapshot of the money transactions every Wednesday for the management.
- 4. Provide regular reports for the management** We give the reports on several financial aspects regularly. This ensures that the management gets a proper idea regarding the cash flow in the firm. Some of the reports given by us include Monthly P&L, Monthly Balance Sheet, Cash Flow Forecast, Monthly Sales tax payable, Expense by Vendor, Monthly Salary by the employee, Cash Balance.

*We have a proper record of the banking transactions where all banking transactions are recorded properly. Using the technology at its best, Meru Accounting is dedicated to giving better accounting services to the law firms.*

## **CONTACT US TODAY • Meru Accounting**

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