

Basic Accounting in PCLaw

In this white paper I am going to go over what happens in the accounting aspects of PCLaw when I record client costs (hard and soft), create a bill, and receive a payment. After I do each one of these, I will run a report to show the changes.

The color represents that something was added to a report while the color means that a number in the report has changed.

For this white paper I will be using a modified cash system. The client will be named Craig Bayer and we will be working on his bankruptcy matter (06-001). The current bank balance is zero, so the first time I write a check, I will have a negative balance.

It would be a good idea to print this white paper out. Then you could put the before bill, after bill, and the after payment sections side by side to see the changes.

CHARGING FOR TIME

The attorney, Richard Black, worked for one hour on Craig's case and charged him \$125.00.

Date	Matter	Lwyr	Task	Hours	Rate	Amount	Expl. Code	
9/17/2006	06-0001	RB	BW	1.00	25.00	125.00	rd	Review documents

This will not affect the Fee Accounts until a Bill is created.

HARD COST

The Firm wrote a \$100.00 check to the Clerk of Court's Office and associated it with Craig Bayer's matter.

LexisNexis PCLaw Law Firm Acct 1 Gen Bank Acct 1 Check 00001

Paid One Hundred 100/100

To Clerk of Court Date 9/17/2006 Amount 100.00

Explanation ff Filing Fee Spell...

Matter	Expl. Code	Explanation	Amount	G/L Account	Description
06-001	ff	Filing Fee	100.00	5560	Client Advances

This Credits 1000 (Bank Account) for \$100.00 and Debits 1210 (Client Disb Recovery) for \$100.00. (See the Client Ledger on page 3)

SOFT COST

The firm is charging Craig Bayer \$25.00 for Postage Expenses. Since the firm did not actually write a check for \$25.00, they will use expense recovery.

LexisNexis PCLaw Law Firm Reference # X0004

To Expense Recovery

Explanation ps Postage Spell...

Date	Matter	Expl. Code	Explanation	Amount	G/L Account	Description
9/17/2006	06-0001	ps	Postage	0.00	5531	Postage Recovery

This Debits 1210 (Client Disb Recovery) for \$25.00 and Credits 5531 (Postage Recovery) for \$25.00. (See the Client Ledger on page 3)

General Ledger (before bill):

Acct. No. Date	Account Name Srce Ref	Entry # Paid To	Description	Debit	Credit	Balance
1000	Gen Bank Acct 1					0.00
Sep 17/06	GB		Disbursements		100.00	
			Closing balance - Gen Bank Acct 1			(100.00)
1210	Client Disb Recov					0.00
Sep 17/06	CER		Total of Recoveries	125.00		
			Closing balance - Client Disb Recov			125.00
5531	Postage Recovery					0.00
Sep 17/06	CER		Summary of Recovery		25.00	
			Closing balance - Postage Recovery			(25.00)

Account 1000 (General Bank Acct 1) has been credited for \$100.00 because of the check written to the Clerk of Court's Office. This action also debited 1210 (Client Disb Recov) for \$100.00. When we did the expense recovery for postage, PCLaw debited the 1210 (Client Disb Recov) for \$25.00 and credited 5531 (Postage Recovery) for \$25.00.

Trial Balance (before bill):

Hickname	Account Name	Debits	Credits
1000	Gen Bank Acct 1		100.00
1210	Client Disb Recov	125.00	
5531	Postage Recovery		25.00
Totals		\$125.00	\$125.00
Overall balance			\$0.00

The Clerk of Court's Check creates a \$100.00 Credit to 1000 and a \$100.00 debit to 1210 (Client Disb Recov). The \$25.00 Postage Charge recorded in expense recovery creates a \$25.00 Debit in 1210 (Client Disb Recov) and a \$25.00 Credit in 5531 (Postage Recovery)

Income Statement (before bill):

REVENUE	Current Period		Year To Date	
	Amount	%	Amount	%
Total Revenue	\$0.00	100%	\$0.00	100%
EXPENSES				
Postage Recovery	(25.00)	100.00%	(25.00)	100.00%
Total Expenses	(\$25.00)	100%	(\$25.00)	100%
Net Income	\$25.00		\$25.00	

The only income is the \$25.00 we advanced for Postage. Modified Cash systems record expense recoveries as income. Since we have not created a bill, there is no other income.

Balance Sheet (before bill):

ASSETS			
<u>Current Assets</u>			
Gen Bank Acct 1	(100.00)		
Client Disb Recov	125.00		
Total Current Assets		\$25.00	
<u>Fixed Assets</u>			
Total Fixed Assets		\$0.00	
Total Assets			\$25.00
LIABILITIES			
<u>Short Term Liabilities</u>			
Total Short Term Liabilities		\$0.00	
<u>Long Term Liabilities</u>			
Total Long Term Liabilities		\$0.00	
Total Liabilities			\$0.00
EQUITY			
Income for Alloc	25.00		
Total Equity			\$25.00
Total Liabilities & Equity			\$25.00

The (100.00) highlighted in the Gen Bank Acct 1 is the actual balance of the bank account. The \$125.00 we have in Client Disb Recov shows how much our clients owe us. Therefore, we have a \$25.00 positive balance. The \$25.00 Postage Recovery has been recorded as Equity.

Client Ledger (before bill):

Date	Received From/Paid To	Che#/Rec#	General	
Entry#	Explanation	Clnt Che# Rcpts	Disbs	Fees
BayCra Bayer, Craig				
06-001 Craig Bayer's Bankruptcy Case				
Sep 17/2006	Clerk of Court	00001	100.00	
	2 Filing Fee			
Sep 17/2006	Expense Recovery	X0001	25.00	
	3 Postage			
Sep 17/2006	Lawyer: RB 1.00 Hrs X 125.00			125.00
	5 Review documents			

Pretty straight forward: \$100.00 in disbursements, \$25.00 in expense recovery, and \$125.00 in fees.

Client Accounting Ledger (before bill):

Date	Type	Ref#	Received From/Paid To	Fees	Disb
			Explanation		
BayCra Bayer, Craig					
06-001 Craig Bayer's Bankruptcy Case					
Sep 17/2006	CHE	00001	Clerk of Court		100.00
			Filing Fee		
Sep 17/2006	CER	X0001	Expense Recovery		25.00
			Postage		

Same as the Client Ledger, except without the Attorney's fees.

Client Ledger (after bill):

Date	Received From/Paid To	Che#/Rec#	General	Eld
Entry#	Explanation	Clnt Che# Rcpts	Disbs	Inv#
BayCra Bayer, Craig				
06-001 Craig Bayer's Bankruptcy Case				
Sep 17/2006	1 Clerk of Court	00001	100.00	1
	2 Filing Fee			
Sep 17/2006	3 Expense Recovery	X0001	25.00	1
	4 Postage			
Sep 17/2006	5 Lawyer: RB 1.00 Hrs X 125.00			1
	6 Review documents			
Sep 17/2006	1 Billing on Invoice 1		0.00	1
	6 FEES 125.00		125.00	

Now, there is a sixth entry (Billing on Invoice 1) that has \$125.00 in fees and \$125.00 in disbursements.

Client Accounting Ledger (after bill):

Date	Type	Ref#	Received From/Paid To	Fees	Disb	A/R
			Explanation			
BayCra Bayer, Craig						
06-001 Craig Bayer's Bankruptcy Case						
Sep 17/2006	CHE	00001	Clerk of Court		100.00	B
			Filing Fee			
Sep 17/2006	CER	X0001	Expense Recovery		25.00	B
			Postage			
Sep 17/2006	BIL	1	Billing on Invoice 1	-125.00	-125.00	250.00

Now, there is a third entry (Billing on Invoice 1) that has -\$125.00 fees and -\$125.00 in disbursements. There is also an A/R Balance of \$250.00

RECEIVING PAYMENT

We will start to see more changes when a payment is applied.

LexisNexis PCLaw Law Firm		Acct 1	Gen Bank Acct 1	Recpt # 00001				
Received: Two Hundred Fifty ***** 00/100								
From:	Craig Bayer	Date:	9/17/2006	Amount:	250.00			
Explanation:	Receive Payment			Spell...				
Payment Selections				Client Check # 12345				
Matter(s)	Client	Invoice	Interest Payment	Amount				
06-001		1		Calculate				
Invoices		G/L Allocations						
Date	Inv #	Matter	Fees	Disb+Tax	Paid	Balance O/S	Int Due	Payment
9/17/2006	1	06-001	125.00	125.00	0.00	250.00	0.00	250.00

Let us click on the G/L Allocations Tab

Invoices		G/L Allocations	
Amount	G/L Acct		
125.00	1210	Client Disb Recov	
125.00	4000.RB	Fees-Richard Black	

We can see that for the payment of \$250.00, \$125.00 will go towards 1210 and \$125.00 will go towards 4000.RB. This makes sense since we have a \$125.00 Debit sitting in 1210 from the check to the Clerk of Court's Office and the Postage Expense. Richard Black was the attorney who did the work, so his Fee Account (4000.RB) should also be targeted by this payment.

General Ledger (after payment):

Acct. No.	Account Name		Debit	Credit	Balance
Date	Srcr Ref	Entry # Paid To	Description		
1000	Gen Bank Acct 1				0.00
Sep 17/06	GB		Receipts	250.00	
Sep 17/06	GB		Disbursements		100.00
			Closing balance - Gen Bank Acct 1		150.00
4000.RB	Fees-Richard Black				0.00
Sep 17/06	GB		Summary of Credits		125.00
			Closing balance - Fees-Richard Black		(125.00)
5531	Postage Recovery				0.00
Sep 17/06	CER		Summary of Recovery		25.00
			Closing balance - Postage Recovery		(25.00)

PCLaw added a Receipts entry with a debit of \$250.00 to 1000 (Gen Bank Acct 1). We still have the Credit of 100.00 from the check we wrote to the Clerk of Court's office. The Credit of \$100.00 and the Debit of \$250.00 give us a Gen Bank Acct 1 Closing Balance of \$150.00. There is also a \$125.00 Credit to 4000.RB (Richard Black's Fee Account), which PCLaw has added to show the billable hourly work Richard Black has done. There is no mention of the 1210 (Client Disb Recov) anymore.

Trial Balance (after payment):

Account Name	Debits	Credits
1000 Gen Bank Acct 1	150.00	
4000.RB Fees-Richard Black		125.00
5531 Postage Recovery		25.00
Totals	\$150.00	\$150.00
Overall balance		\$0.00

Again PCLaw has added a \$125.00 Credit to 4000.RB (Richard Black's Fee Account). There is no mention of the 1210 (Client Disb Recov) anymore.

Income Statement (after payment):

	Current Period		Year To Date	
	Amount	%	Amount	%
REVENUE				
Fees-Richard Black	125.00	100.00%	125.00	100.00%
Total Revenue	\$125.00	100%	\$125.00	100%
EXPENSES				
Postage Recovery	(25.00)	100.00%	(25.00)	100.00%
Total Expenses	(\$25.00)	100%	(\$25.00)	100%
Net Income	\$150.00		\$150.00	

Now the attorney's fees are recorded as income as well as the Postage Recovery.

Balance Sheet (after payment):

ASSETS			
<u>Current Assets</u>			
Gen Bank Acct 1	150.00		
Total Current Assets		\$150.00	
<u>Fixed Assets</u>			
Total Fixed Assets		\$0.00	
Total Assets			\$150.00
LIABILITIES			
<u>Short Term Liabilities</u>			
Total Short Term Liabilities		\$0.00	
<u>Long Term Liabilities</u>			
Total Long Term Liabilities		\$0.00	
Total Liabilities			\$0.00
EQUITY			
Income for Alloc	150.00		
Total Equity			\$150.00
Total Liabilities & Equity			\$150.00

Gen Bank Acct 1 has \$150.00 in it, instead of -\$100.00. Client Disb Recov is gone and the equity has increased by \$125.00.