

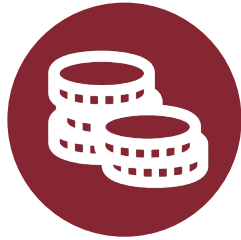
# MANAGEMENT ACCOUNTING FOR LAWYERS

Deborah J Schaefer | CPA

# AGENDA



Introduction to Accounting



Management Accounting



Profitability & Control Costs



Manage Income & Evaluate Information

# WHAT IS ACCOUNTING?

## Financial Accounting:

- Reporting process used by businesses to convey financial information to *external parties*
- Preparation of financial statements

## Managerial Accounting:

- Reporting process used by business to convey various types of information to *internal parties*
- Preparation of detailed plans, forecasts, and reports

# FINANCIAL STATEMENTS FOR LAWYERS

## General Ledger:

- Details of all accounting transactions

## Trial Balance:

- Report of ending balance in each account at ending date

## Income Statement:

- Report of revenue and expenses during reporting period, which resets at the end of each fiscal year

## Balance Sheet:

- Assets, liabilities, and equity/capital balance at date of preparation

# PROFITABILITY & CONTROL COSTS

# HOW TO MEASURE PROFITABILITY

- Attorney productivity
- Analyze the types of law or the type of client
- Can expenses be better managed
- How fast are your invoices are being paid
- Are you taking advantage of the data within your financial management system to evaluate what needs to be improved to increase your profitability
- “R.U.L.E.S. of law firm profitability”

# MANAGE INCOME & EVALUATE INFORMATION

# TYPES OF INCOME TO MANAGE

## Budget Income

- By Timekeeper
- By Case
- By Type of Law

## Forecast Income

- Analyze past performance
  - Collection rates and timeliness
- Analyze current open cases
- Economic Indicators and forecasts