

# Chapter 1

## QuickBooks for Law Firms

This section uses `Law_Firm2003.QBW`.

QuickBooks is in use in thousands of small law firms throughout the US. The program is quite capable of handling most of the needs of these firms, as long as it is set up properly and transactions are entered correctly and consistently.

The methods presented here will provide you with what we feel are the most efficient ways of handling the needs of a typical small firm.

One of the trickiest record-keeping tasks for law firms is the proper handling of client monies held in trust. In this chapter, we'll show how you can handle both client trust activity *and* the firm's accounting in the same QuickBooks file. However, if your client has a high volume of transactions in the trust account, and a relatively low volume of transactions for the firm itself, you should consider setting up a completely different QuickBooks file for Client Trust Activity.

**Note:** Each state has rules of professional conduct that govern the handling of client trust funds. Consult your local state Bar Association or counsel to ensure that your setup is consistent with the rules in your state. Failure to abide by state rules could result in severe penalties.

The vocabulary of our setup will be as follows:

QuickBooks Term	Meaning in Law Firm setup
Customer	Client of the firm
Job	Matter, Case, or Project
Vendor	Vendor paid by the firm using money from the Firm Checking account or from a Client's Trust account. <b>The Firm itself is also a Vendor</b> because occasionally a Client's Trust account will pay the Firm instead of the Client paying directly.
Class	Partner or department in the law firm.
Client Trust Checking	Bank account used to keep client funds (separate from firm funds), and used to pay bills on behalf of clients. In this chapter, we show how to manage a single account that tracks monies from several clients. This is referred to as an IOLTA (Interest on Lawyers Trust Accounts) account.
Operating A/P	Accounts Payable account used to record bills paid by the firm, using the firm's operating funds.
Trust A/P	Accounts Payable account used to record bills paid by the firm, using a Client's Trust Checking account.
Amex – Client	This is a Credit Card account, dedicated to tracking client

Costs	expenses, and paid by the Client Trust Checking account. Not all firms will use credit cards for client expenses. <b>Note:</b> using credit cards for client expenses may not be allowed in your state. Check your local laws before using this part of the setup.
Client Trust Liability	Liability account used to track the funds held in trust for each Client. The balance of this account should always equal the net-sum of the Trust A/P, Trust Credit Cards, and the Client Trust Checking account.

Table 1-1 QuickBooks Vocabulary for Law Firms

## Setting up QuickBooks for Law Firms

Start by reviewing your client’s chart of accounts to make sure they have all the accounts needed for tracking revenue and expenses.

### Setting up the Chart of Accounts

If you use an IOLTA (Interest on Lawyer’s Trust Accounts) account to keep client monies in trust for use in paying client expenses, you’ll need to set up a few QuickBooks accounts to track the transactions.

- Step 1. Create a separate bank account called “**Client Trust Checking**” that will be used to track all deposits and payments of client trust funds. Set this up as an IOLTA (Interest on Lawyer’s Trust Accounts) account at the bank. IOLTA accounts must have automatic overdraft protection, and must not have ATM access.
- Step 2. Rename the Accounts Payable account to “**Operating A/P**” to distinguish it from the Trust A/P (see below). Use this account to track all bills and payments related to operating the firm.
- Step 3. Set up a second Accounts Payable account called “**Trust A/P**” to track client-related bills and payments.
- Step 4. (Optional) If you use a credit card to pay client costs, and if you want the client trust account to pay the credit card bills, set up a separate credit card called “**Amex – Client Costs**”. Note however, that some states may not allow the use of credit cards for client expenses. If you do use this method to track client expenses, you **MUST** dedicate the credit card to client trust activity only. Do not mix firm and client expenditures in the same account!
- Step 5. Set up an Other Current Liability called “**Client Trust Liability**”. This account will track all client deposits and costs.

**Add these accounts to track transactions related to your client trust account.**

Name	Type
1000 · General - Checking	Bank
1150 · Client Trust Checking	Bank
1199 · Journal Entries	Bank
1200 · Accounts Receivable	Accounts Receivable
1499 · Undeposited Funds	Other Current Asset
1500 · Furniture & Equipment	Fixed Asset
1500-10 · Furniture	Fixed Asset
1500-20 · Computers & Equipment	Fixed Asset
1500-90 · Accumulated Depreciation	Fixed Asset
1600 · Organizational Costs	Fixed Asset
1600-10 · Costs	Fixed Asset
1600-20 · Accumulated Amortization	Fixed Asset
2000 · Trust A/P	Accounts Payable
2001 · Operating A/P	Accounts Payable
2101 · AMEX - Client Costs	Credit Card
2200 · Client Trust Liability	Other Current Liability
2500 · Payroll Liabilities	Other Current Liability
2600 · Credit Line	Other Current Liability
2800 · Loan Payable	Long Term Liability
2850 · Loan from Partners	Long Term Liability
3000 · Opening Bal Equity	Equity
3200 · Partner 1 Equity	Equity
3200-10 · Partner 1 Draws	Equity
3200-20 · Partner 1 Investments	Equity
3200-30 · Partner 1 Profits	Equity
3300 · Partner 2 Equity	Equity
3300-10 · Partner 2 Draws	Equity
3300-20 · Partner 2 Investments	Equity
3300-30 · Partner 2 Profits	Equity
3999 · Retained Earnings	Equity

Figure 1-1 Typical Balance Sheet Accounts for a legal firm

## Setting up Items

### Items to Track Legal Services Provided

Set up Items in the Item list for all services (e.g., attorney hourly services). Use “double-sided service items” for these services so that you’ll be able to track income for services provided and expenses (or draws) for payments to partners. As you’ll see in the sections below, you can use the timesheets to record the hours for these items and then pass the time through to client invoices. In addition, if you choose, you can write checks to pay the partners based on their billable hours. If you pay partners based on hours worked, you should fill in the rate of pay in the cost side of the item (see Figure 1-2). The setup of these items allows you to let QuickBooks make the right entries in the general ledger automatically.

Code the Expense side to the Partner Drawing account, and the Income side to the Fee Income account as shown in Figure 1-2.

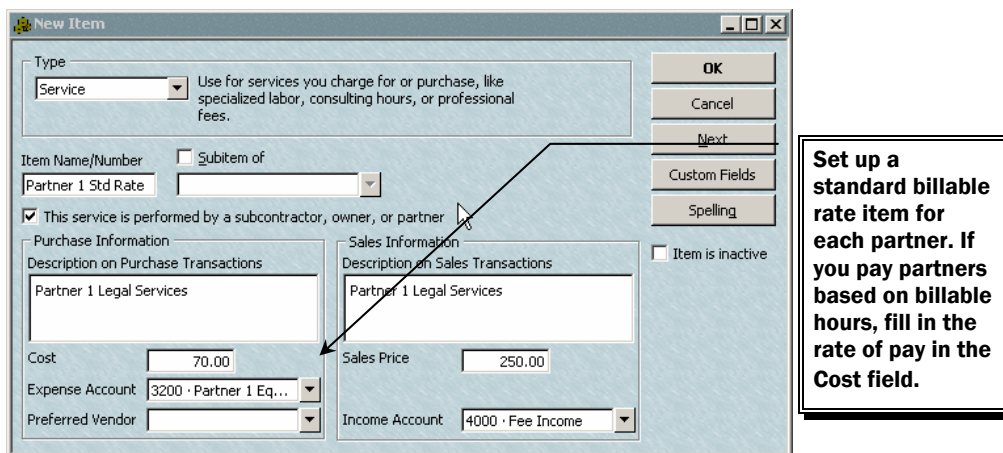


Figure 1-2 Setting up a Service Item for each Partner's billable services

### Items for Law Firm Expenses Passed-Through

Set up double-sided service items for each expense *provided and paid for by the firm*, and then later reimbursed by the client (e.g., copy charges, telephone charges, postage paid by the firm). These expenses may be reimbursed to your firm out of the Trust account or billed directly to the client. Code the expense side to the Client Trust Liability account, and code the income side to the appropriate expense account (e.g., telephone expense, postage).

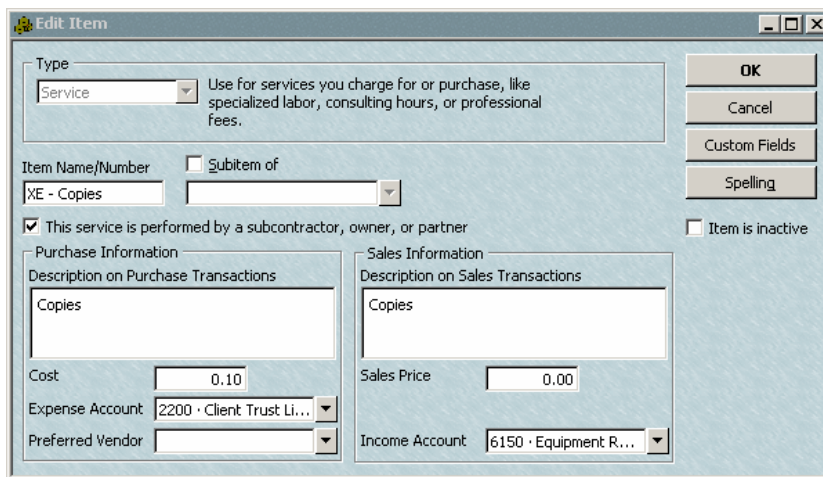


Figure 1-3 Adding new Items to track services provided and paid for by the firm in Client Trust Liability

Use these items on bills to record the actual expenses incurred as you provide services (or incur the costs) and fill in the Customer:Job field to record the client and matter to which the expense should apply.

### Items for Client Costs Paid Directly from the Trust

As you incur expenses on behalf of the client, you may choose to have the client trust account directly pay them. For example, some firms will use a dedicated “Client Expense” credit card for all client related expenses, and then pay the credit card bill from the Trust account. Another example is Courier expenses that you pay by check directly out of the Trust account. For these types of expenses, you should set up separate items. Code both the income and expense side of the Item to the Client

Trust Liability account. The Courier/Delivery service item shown in Figure 1-4 is used on Bills recorded in the Trust A/P account or on Credit Card charges if you use a separate credit card to track all client expenses.

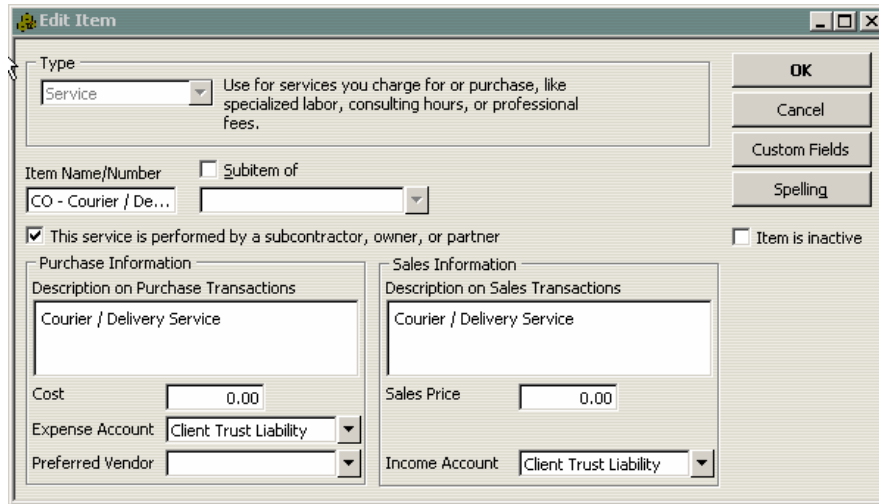


Figure 1-4 Adding new Items to track services in Client Trust Liability

### Items for Attorney’s Fees Paid Directly from the Trust

Occasionally, a client’s invoice will be paid using funds from the Client Trust account. To facilitate the tracking of these payments, create an Item similar to the one in Figure 1-5. When used on a Bill, this item transfers the liability from the Client Trust Liability account into the A/P account.

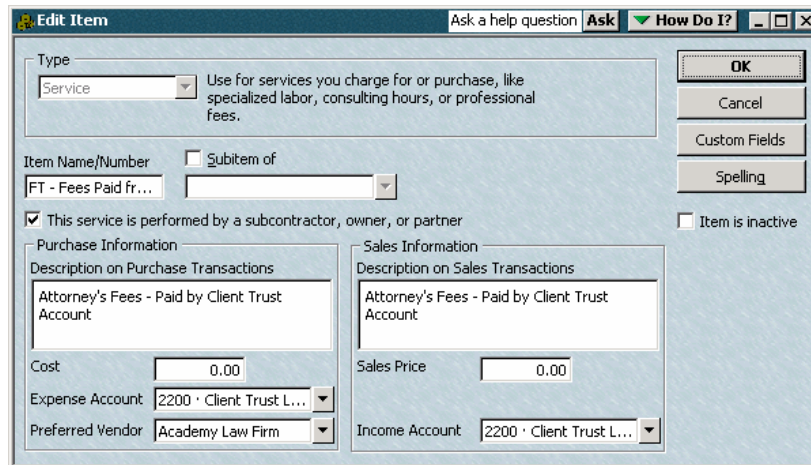


Figure 1-5 Item to record Attorney's fees paid by client trust account.

### Setting up Jobs (Client Matters)

For each client and matter (project, or case), set up customers and jobs.

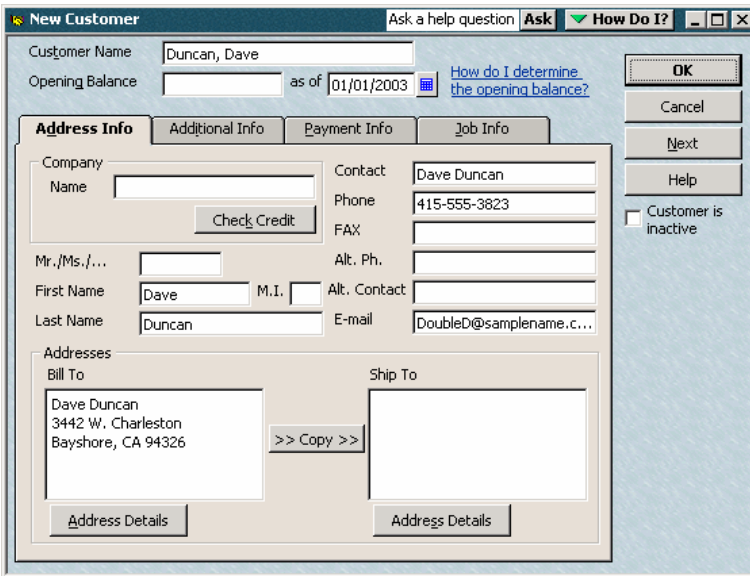


Figure 1-6 Set up clients as customer in the Customer:Job list.

To add another matter for a client, select the customer in the Customer:Job list and select Add Job from the Customer menu at the bottom of the list (see Figure 1-7).

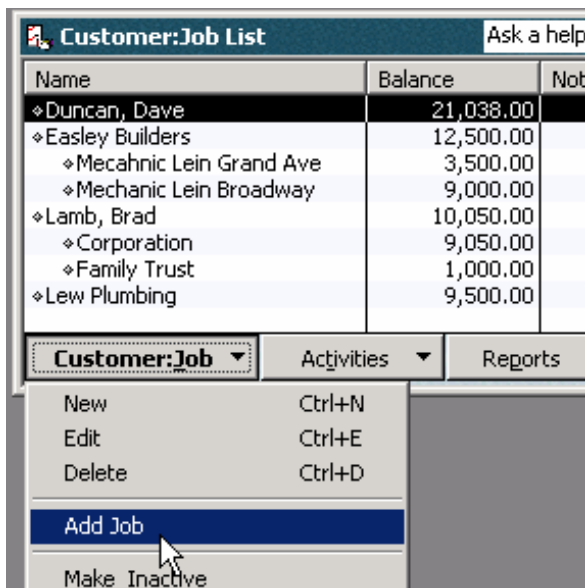


Figure 1-7 Adding a new matter for a client

Enter the name of the matter in the Job Name field on the New Job screen (see Figure 1-8).

Figure 1-8 Setting up a new matter as a "Job"

Click the Additional Info tab of the new Job Window. It's quite common for attorneys to set different billing rates for each matter, so you can enter the "Partner Rate" in this screen to indicate that the matter is billed at \$200.00 per hour when partners work on the matter. You could also add additional custom fields for paraprofessional billing rates.

**Enter the billing rate for partners on this matter. This will be used on invoices to show the normal rate for this matter, and it allows the client to override the Item rate when filling out the invoice.**

Figure 1-9 Adding a Partner Rate in the custom field on a job (or matter) Record

Since many firms have different rates for different clients, you may want to provide an easy way to track the rate charged to each client. To track the billing rate for each customer, create a custom field called "Partner Rate" as shown in Figure 1-10.

To set up custom fields, click the Additional Info on the new customer screen (see Figure 1-6) and click Define Fields.

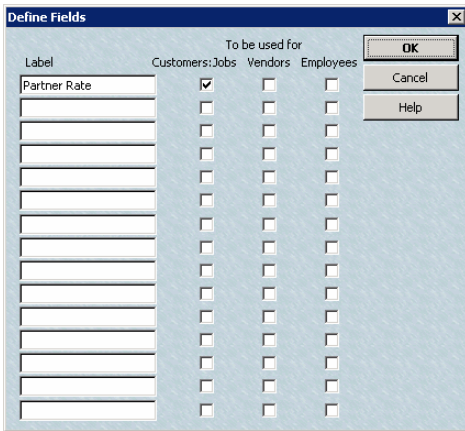


Figure 1-10 Custom field to track the rate charged to each customer.

### Setting up Invoice Templates

To help you fill out invoices with the correct billing rate for each matter, modify the invoice template to show the Partner Rate field on the screen but not on the printed invoice.

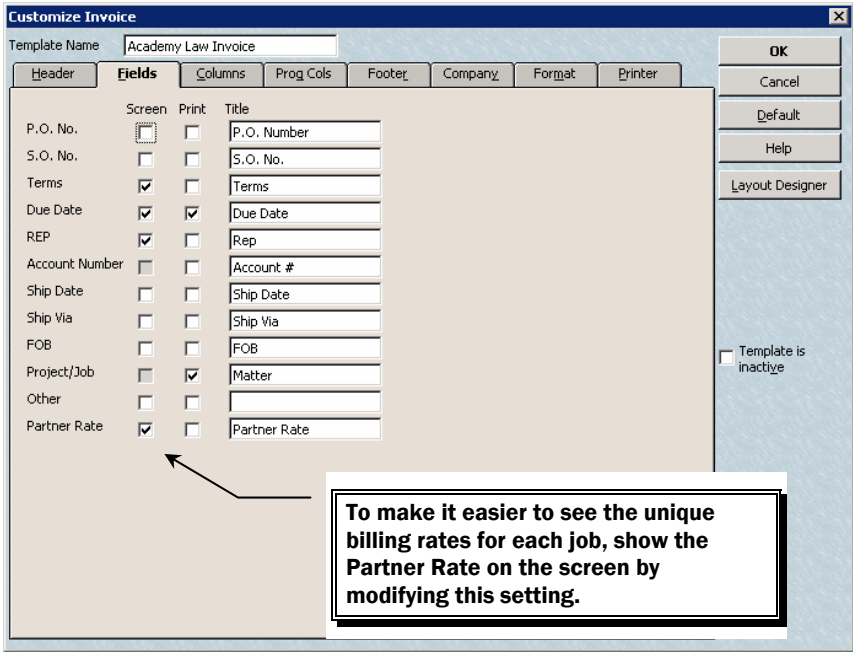


Figure 1-11 Adding the Customer Record to the Invoice Template

### Handling Transactions in the Trust Accounts

Most of the transactions in law firms (e.g., writing checks, making deposits, entering and paying bills) are treated the same as in other businesses. However, properly handling transactions that relate to the Client Trust account is somewhat tricky, but crucial to keeping proper accounting records. In this section, you’ll learn how to enter transactions relating to the Client Trust account for several different situations.

It is important to note that these methods allow you to use QuickBooks *completely*, taking advantage of several useful features such as Pay Bills, Credit Card tracking, Pass-through expenses, Time tracking, and custom reports. These methods are also

designed to comply with all of the reporting requirements for Lawyer Trust accounts in most, if not all states.

Note that even though you'll have all of your records stored in QuickBooks, you are required to keep paper copies of ALL records related to your Client Trust account, including bank-created records. So when in doubt, print it out.

### ***Receiving and Depositing Client Money to the Trust Account***

A client must deposit all funds received or held for the benefit of a client, including advances for costs and expenses, directly into the Client Trust bank account. Deposit these funds immediately upon receipt. Follow these steps:

- Step 1. Select Make deposits from the Banking menu.
- Step 2. Enter the Client Trust Checking account in the Deposit To field at the top of the form.
- Step 3. Enter the Client name (Customer), and the matter (Job) in the Received from column.
- Step 4. Enter Client Trust Liability in the From Account (see Figure 1-12).
- Step 5. Enter the Client Name, the Matter (or case), and any other identifying information in the Memo field.
- Step 6. To record the deposit, click Save & Close.

Received From	From Account	Memo	Chk No.	Pmt Meth.	Class	Amount
Duncan, Dave:Pa...	2200 · Client Trust...	Duncan-Partnershi...	1222	Check	Partn...	10,000.00

Figure 1-12 Deposit for Cost Advances from Client

### ***Entering Bills to be paid by the Trust Account***

Although you do not have to use QuickBooks Bills and Pay Bills functions, these functions allow for streamlining the day-to-day bookkeeping functions in the typical law firm. In this example, we'll use the special Trust A/P account to record Bills that will be paid directly from the Trust checking account. As soon as we enter these Bills, they "transfer" the funds out of the Client Trust Liability account, and into the Trust A/P account. Then, when we pay the Bills, the balance in the Trust A/P will decrease.

To record Bills to be paid by the Client Trust Checking account, use the Enter Bills screen, and select the Trust AP Account at the top of the Bill.

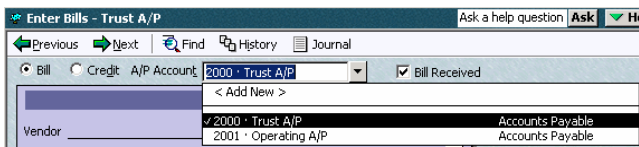


Figure 1-13 Pick the A/P account into which the Bill should be entered.

**Important:** Be careful when entering bills. Because our setup has multiple A/P accounts, each time you enter a Bill, you’ll need to pick the Accounts Payable account into which the Bill should be entered. The A/P account field shows at the top of the Bill (see Figure 1-13).

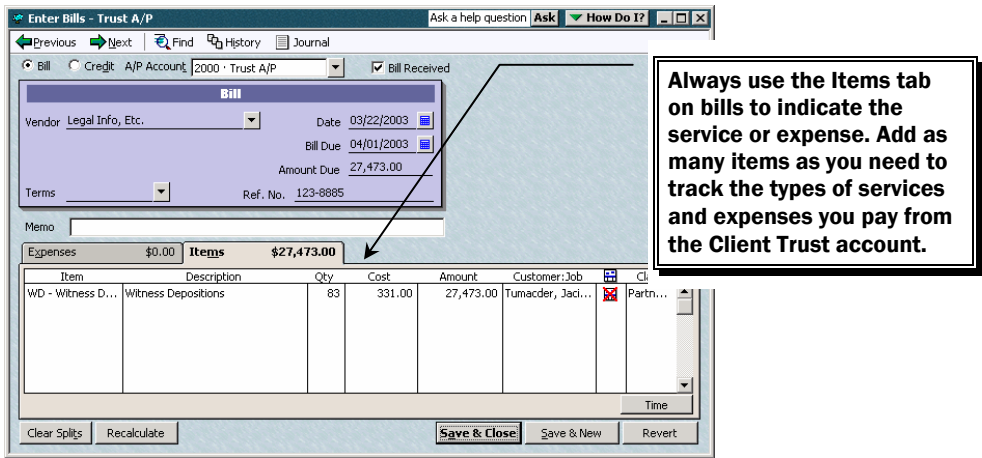


Figure 1-14 Trust AP Bill

Make sure to enter the client and matter in the Customer:Job field. Also, mark the line item “Not Billable” by clicking the invoice icon so it shows and X through it, and enter the class to indicate the partner relationship for this transaction (see Figure 1-15).

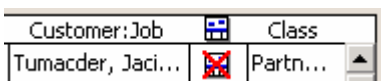


Figure 1-15 The Customer:Job field, the billable status and the class.

**Important:** All bills entered into the Trust A/P account must have Non-Billable line items. This is because all charges in the Trust A/P account will be paid using the Client Trust funds. Therefore, we don’t want to pass these expenses through to invoices; otherwise, we would double their effect.

As the firm provides services and incurs expenses on behalf of clients, record them as Bills to the Trust A/P account. Set up your firm as a Vendor in the vendor list, and then record a Bill in the Trust A/P account for all of the expenses.

## Tracking, Recording and Billing for Office Expenses

You might want to keep a log of the small expenses you incur (e.g., copies) for each client and then enter a single bill for the total copies for the month. You can split this bill up among all your clients so that each client will be charged their portion out of their trust account balance.

When you enter the bill, use an Item such as the one shown in Figure 1-3, and make sure the line is marked as “Not Billable.” The reason you click “Not Billable” is that you’ll pay the bill from the Client Trust checking account, and therefore you’ll never invoice the client for these transactions. You **will** provide a report to the client for these charges though; as they will be included on the Trust Account Transactions by Client report (see the report in Figure 1-33).

Make sure you enter a memo on every bill that states the client name and matter and the purpose of the bill. This memo will show on the memo on the face of the printed check as long as you don’t pay multiple bills, with different memos, on the same check.

Item	Description	Qty	Cost	Amount	Customer:Job	Class
XE - Copies	Copies	99	0.10	9.90	Duncan, Da...	Part...
XE - Copies	Copies	48	0.10	4.80	Easley Build...	Part...
XE - Copies	Copies	47	0.10	4.70	Lamb, Brad:...	Part...
XE - Copies	Copies	369	0.10	36.90	Lew Plumbin...	Part...
XE - Copies	Copies	17	0.10	1.70	Lucchini, Bill...	Part...
XE - Copies	Copies	336	0.10	33.60	Nguyen, Tu...	Part...
XE - Copies	Copies	11	0.10	1.10	Oliveri, Tom...	Part...
XE - Copies	Copies	89	0.10	8.90	Oliveri, Tom...	Part...
XE - Copies	Copies	47	0.10	4.70	Reese, Pam...	Part...
XE - Copies	Copies	36	0.10	3.60	Smallson, Fr...	Part...
XE - Copies	Copies	85	0.10	8.50	Tumacder, J...	Part...
XE - Copies	Copies	96	0.10	9.60	Wilks, Danie...	Part...

Figure 1-16 Entering a Bill into the Trust A/P for firm-provided services or expenses

## Paying Bills from the Client Trust Account

When paying the trust bills, always use the Client Trust bank account.

Select Pay Bills from the Vendors menu, then select **Trust A/P** from the A/P account field, and then select **Client Trust Checking** from the Payment account field (see Figure 1-17).

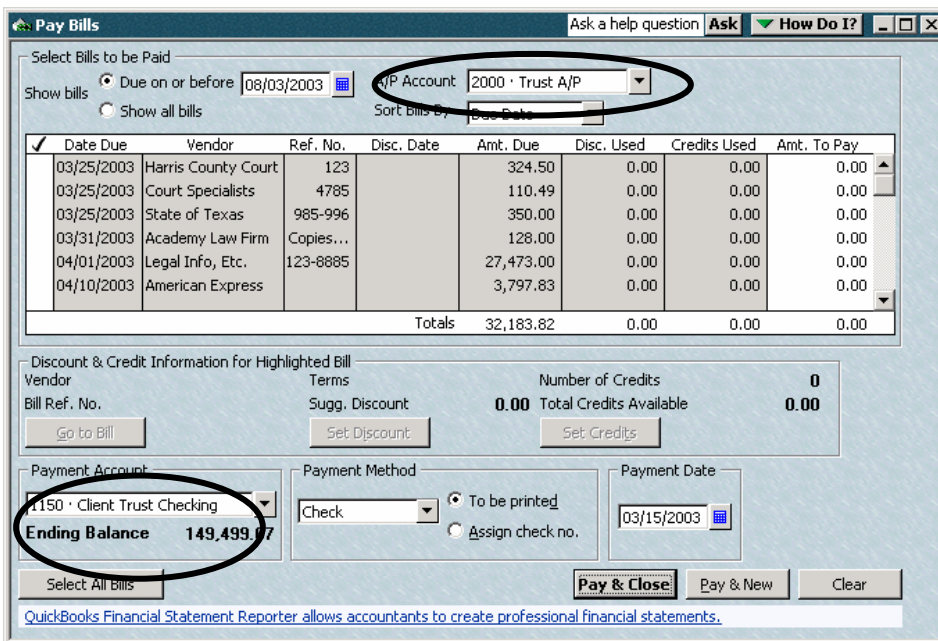


Figure 1-17 Paying Bills from Trust Bank Account

**Note:** In the Pay Bills screen in Figure 1-17, only the Bills that were entered into the Trust A/P account appear. To pay the *Firm’s* bills you’ll have to change the A/P account and the Payment Account. Don’t forget this two-step bill-paying process each time you pay bills.

### Using a Credit Card to Pay Client Costs

If the firm uses a dedicated credit card to charge client expenses, you can set up a QuickBooks credit card account to track all charges and payments.

**Important:** Do not to mix the client credit card charges and the firm’s credit card charges on the same credit card.

Then follow these steps to track the transactions:

- Step 1. Enter credit card charges for client expenses purchased with the Client Trust credit card.  
Always use the Items tab on bills to indicate the service or expense. Add as many items as you need to track the types of services and expenses you pay from the Client Trust account.

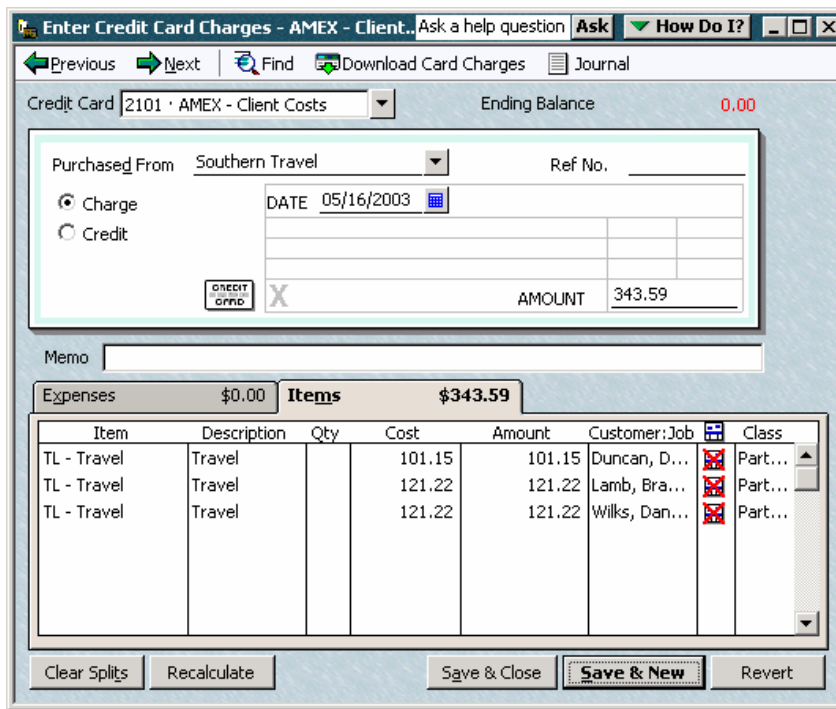


Figure 1-18 Credit Card Charge for client expenses - to be paid with Client funds

- Step 2. Also, mark the line item “Not Billable” by clicking the invoice icon so it shows and X through it, and enter the class to indicate the partner relationship for this transaction (see Figure 1-18).
- Step 3. Enter all of the credit card charges and then reconcile with the credit card statement. When you complete the reconciliation, QuickBooks will prompt you to either enter a bill or write a check. Select “Enter a Bill” and select the Trust A/P account from the account list at the top of the bill, and code the Bill to the AMEX – Client Costs account (see Figure 1-19). This enters the Bill into the Trust AP Account.

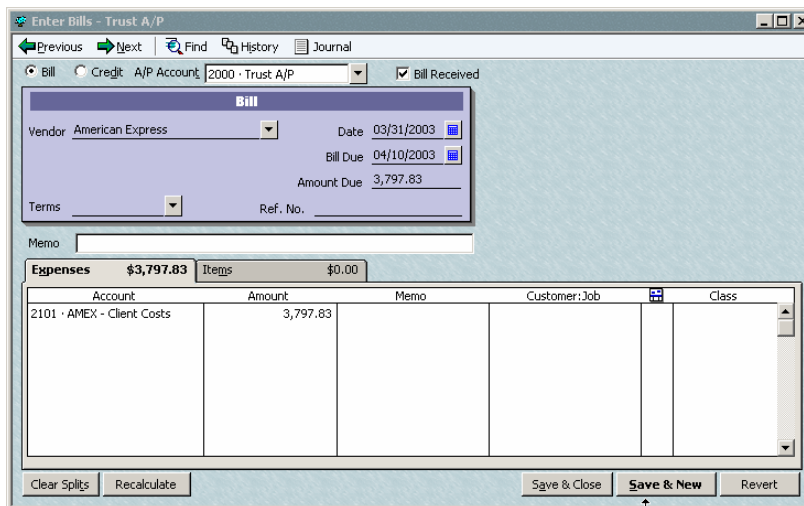


Figure 1-19 A Credit Card Bill to be paid by Trust account.

- Step 4. Then, the next time you pay bills, pay the credit card bill from the Client Trust checking account.

## Time Tracking for Each Partner or Paraprofessional

Set up an item for each partner and paraprofessional in the firm and assign his or her normal billing rate in the sales price field. The income account should be the Fee Income account.

All of the Partners, paralegals and other staff members that have billable time should create a timesheet. Note that if you use QuickBooks to create paychecks from timesheets, you should include all time (billable and non-billable) on the timesheets.

To create a timesheet and pass the time through to an invoice, follow these steps:

Step 1. Select the Employees menu, then select Time Tracking, and then select Use Weekly Timesheet. Then fill in the time as shown in Figure 1-20.

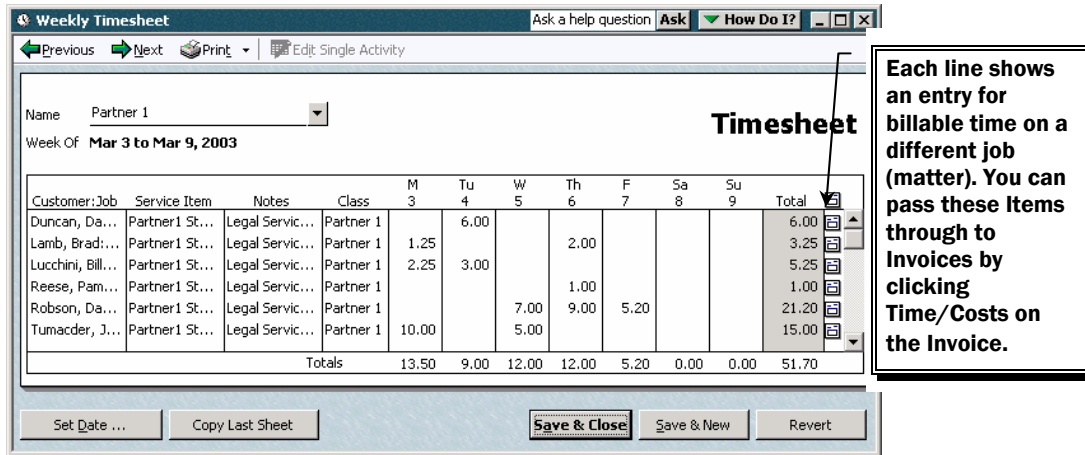


Figure 1-20 Weekly Timesheet

Step 2. Select Create Invoices from the Customers menu.

Step 3. Enter the client name and matter, followed by the date and other header information.

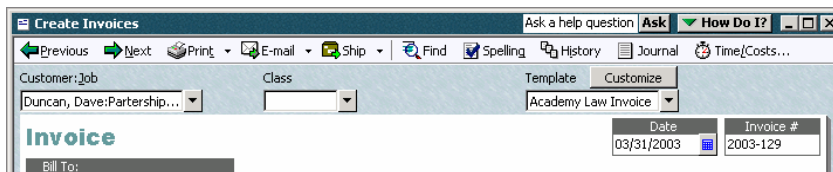


Figure 1-21 The top section of an Invoice.

Step 4. Click the Time/Costs button at the top of the invoice. This shows the billable Time and Costs screen. Click on the Time tab as shown in Figure 1-22.

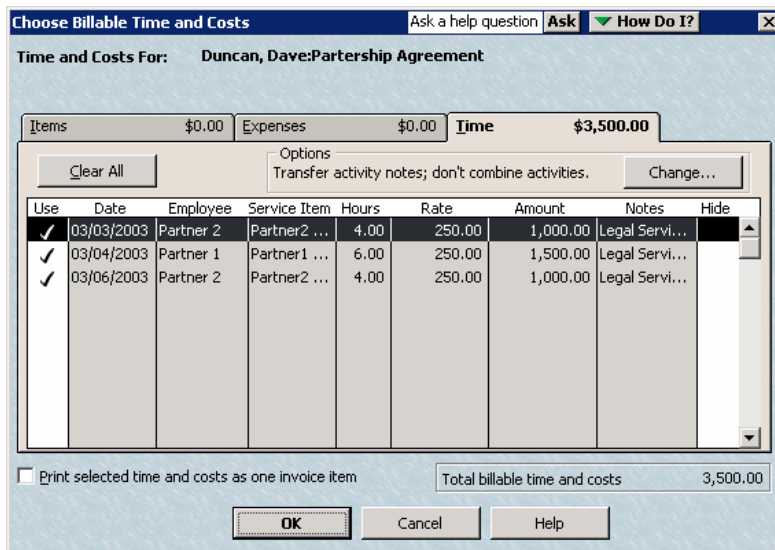


Figure 1-22 Billable Time and Costs screen

Select all of the billable time for this period and click OK to post the time to the invoice.

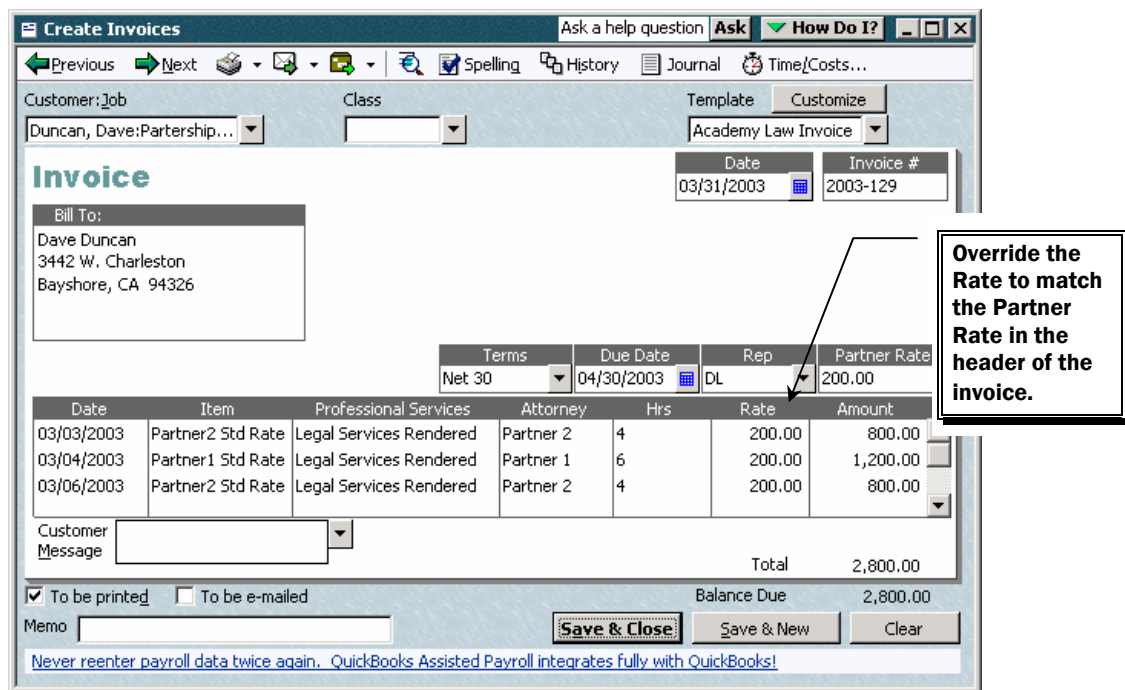


Figure 1-23 Invoice billed from time on Timesheets

Notice that the “Partner rate” shows a different amount than the normal billing rate for the Partner’s standard billing rates (see Figure 1-2). Each client and matter can have a different billing rate set up to correspond with the engagements agreed-upon rate. You can create custom fields on the Additional Info tab of the customer record for a partner, paralegal, or other employee’s billing rate. Then you can have it show on the Invoice screen, but not on the printed invoice.

## Using Trust Funds to Pay Invoices from the Firm

Occasionally, a client’s invoice will be paid using funds from the Client Trust account. To pay the client’s invoice, using the Trust account, follow these steps:

Step 1. Create an **Invoices for the Month Report** to see the invoices from each client for the month.

Type	Date	Num	Name	Amount
Mar 03				
▶ Invoice	03/31/2003	2003-129	Duncan, Dave:Partership Agreeeme...	2,800.00 ◀
Mar 03				<u>2,800.00</u>

Figure 1-24 Monthly billings for March 2003

Step 2. Create a **Client Trust Balances Report** to verify that there are sufficient funds in the client’s Trust account to cover the invoice. Notice in Figure 1-25 that the balance in Dave Duncan’s Trust account is not sufficient to cover the invoice shown in Figure 1-24.

Client Name	Balance
Duncan, Dave	▶ 548.12 ◀
Easley Builders	10,807.70
Lamb, Brad	25,745.48
Lew Plumbing	7,405.30
Lucchini, Bill	19,948.77
Morgenthaler, Jenny	856.72
Nguyen, Tuan	1,044.50
Oliveri, Tom	5,158.20
Reese, Pamela	182.20
Robson, Darci	11,118.40
Smallson, Fran	11,441.20
Tumacder, Jacint	19,821.78
Wilks, Daniel	<u>3,237.48</u>
<b>TOTAL</b>	<u>117,315.85</u>

Figure 1-25 Trust Balances by Client report

Step 3. Since the Trust Balance is not sufficient to cover the full amount of the invoice, you’ll need to enter a bill for just part of the invoice (up to the amount of the client’s trust balance).

Enter a Bill in the Trust A/P account using the firm’s name as the vendor, and the FT-Fees Paid from Trust Item (as shown in Figure 1-5) in the Items tab of the Bill.

Enter a separate Bill for each invoice and enter the invoice number in the reference number on the Bill. This provides a clear record to tie the invoice number and the Bill number together.

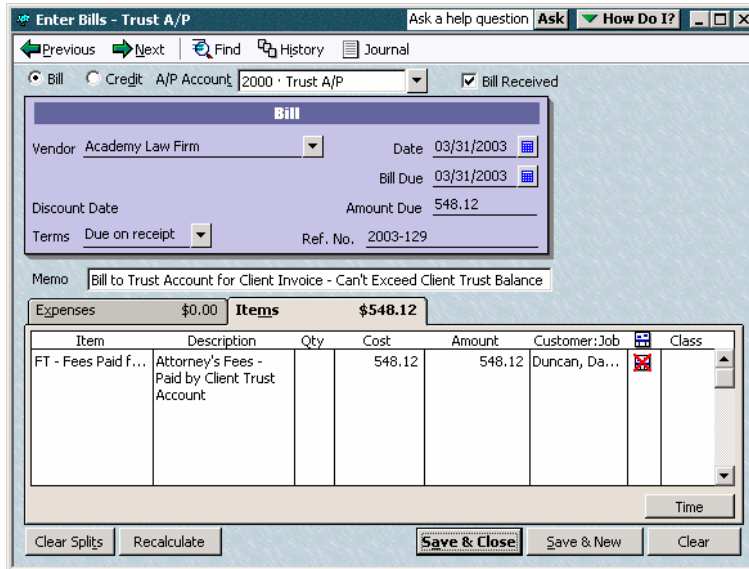


Figure 1-26 A Bill in the Trust Account to pay the firm's Invoice

Step 4. After entering the Bill, the balance in the client's trust account is zero. Make sure you NEVER overdraw a client's trust account balance. There are severe penalties imposed for this type of error.

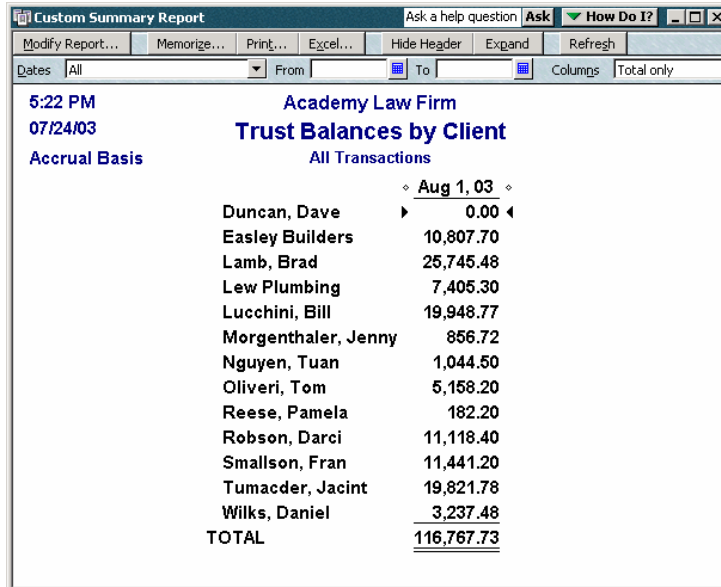


Figure 1-27 The Trust Balances by Client report.

Step 5. Next, pay the Bills from the Trust A/P account using the Client Trust Checking account. Notice the bill number (2003-129) is the same as the invoice number. This helps track the relationship between the Invoice and the Bill.

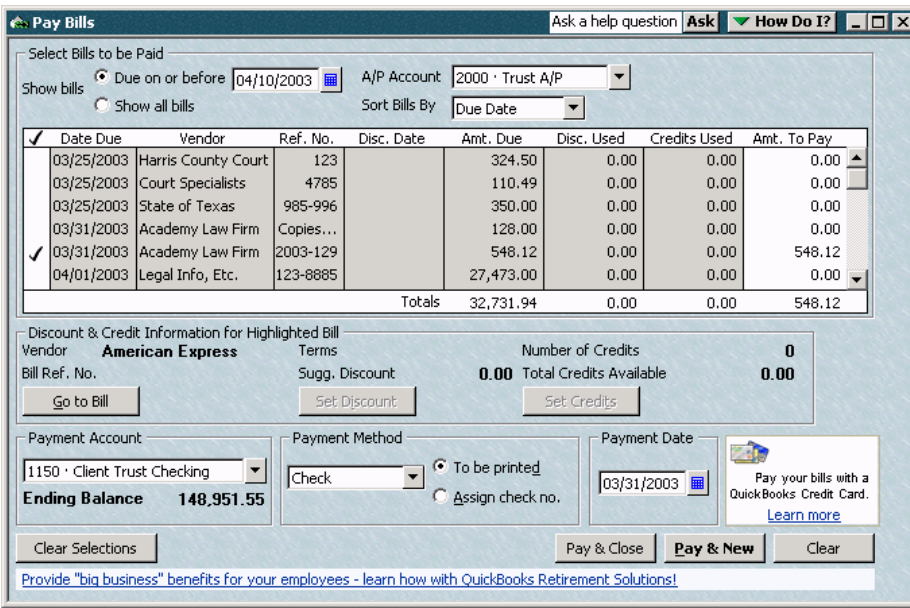


Figure 1-28 Pay Bill

Step 6. Next, enter a Payment to record the receipt of funds from the Client Trust account. Select the Customers menu and then select Receive Payments.

Step 7. Fill in the payment transaction as shown in Figure 1-29 and then click Save & Close.

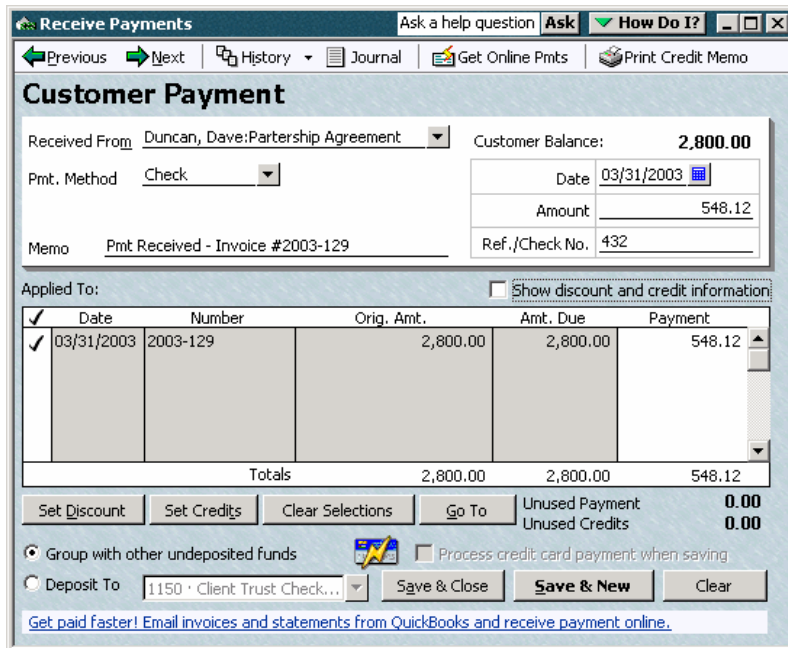


Figure 1-29 Receiving Payment from the Trust Account

Notice that only a portion of the invoice was received from the Trust account. This is because the Trust balance for this customer did not have the full amount on hand to cover the whole invoice. The client will need to send a check to the firm for the remainder of the invoice.

## Proofing the Balances in the Trust Accounts

After entering all the transactions describe above, you should verify the status of the Client Trust Liability account.

Create a Custom Summary Report, and filter it to include only the accounts shown in the report below. Then rename the report to “Trust Liability Proof” as shown in Figure 1-30. The total of this report MUST always be zero.

Academy Law Firm	
Trust Liability Proof	
Accrual Basis	
Total must always be Zero	
◇ Aug 1, 03 ◇	
1150 · Client Trust Checking ▶	148,951.55 ◀
2000 · Trust A/P	-32,183.82
2101 · AMEX - Client Costs	0.00
2200 · Client Trust Liability	-116,767.73
<b>TOTAL</b>	<b>0.00</b>

Figure 1-30 Client Trust Liability Proof

## Trust Balances by Client Report

To see the balances on hand for each client, follow these steps:

- Step 1. Create a Custom Summary Report.
- Step 2. Select **Total Only** in the columns drop-down, and select **Customer** in the Rows drop-down list.
- Step 3. Filter the report to show only the **Client Trust Liability** account.

Academy Law Firm	
Trust Balances by Client	
Accrual Basis	
All Transactions	
◇ Aug 1, 03 ◇	
Duncan, Dave ▶	0.00 ◀
Easley Builders	10,807.70
Lamb, Brad	25,745.48
Lew Plumbing	7,405.30
Lucchini, Bill	19,948.77
Morgenthaler, Jenny	856.72
Nguyen, Tuan	1,044.50
Oliveri, Tom	5,158.20
Reese, Pamela	182.20
Robson, Darci	11,118.40
Smallson, Fran	11,441.20
Tumacder, Jacint	19,821.78
Wilks, Daniel	3,237.48
<b>TOTAL</b>	<b>116,767.73</b>

Figure 1-31 Client Trust Balances

Step 4. To see the detail in making up the final trust balance, double-click on the balance of any line. All of the transactions for that customer show in the report (see Figure 1-32). You can modify and filter this report to customize it for your needs.

Type	Date	Num	Name	Memo	Account	Class	Split	Debit	Credit	Balance
Depo...	01/05/2003	1222	Duncan, Dave:Par...	Retainer	2200 · C...	Partner 1	1150 · C...		10,000.00	10,000.00
Bill	01/13/2003	013103	Duncan, Dave:Par...	Copies	2200 · C...	Partner 2	2000 · T...	25.50		9,974.50
Bill	01/13/2003	013103	Duncan, Dave:Par...	Copies	2200 · C...	Partner 1	2000 · T...	12.50		9,962.00
Bill	02/18/2003	9996	Duncan, Dave:Par...	Courier / De...	2200 · C...	Partner 1	2000 · T...	15.00		9,947.00
Bill	02/25/2003	1458	Duncan, Dave:Par...	Investigatio...	2200 · C...	Partner 1	2000 · T...	25.63		9,921.37
Bill	02/28/2003		Duncan, Dave:Par...	Copies	2200 · C...	Partner 1	2000 · T...	9.70		9,911.67
Bill	02/28/2003		Duncan, Dave:Par...	Attorney's F...	2200 · C...	Partner 1	2000 · T...	9,200.00		711.67
Bill	03/15/2003	123	Duncan, Dave:Par...	Court Costs	2200 · C...	Partner 2	2000 · T...	52.50		659.17
Bill	03/11/2003	Copies...	Duncan, Dave:Par...	Copies	2200 · C...	Partner 1	2000 · T...	9.90		649.27
Bill	03/11/2003	2003-129	Duncan, Dave:Par...	Attorney's F...	2200 · C...		2000 · T...	548.12		101.15
Cred...	05/16/2003		Duncan, Dave:Par...	Travel	2200 · C...	Partner 1	2101 · A...	101.15		0.00
Total								10,000.00	10,000.00	0.00

Figure 1-32 Detail on Client Trust Balances

### Client Ledger Report

To view the details of all transactions for each client, follow these steps:

- Step 1. Create Trust Accounts Transactions by Client (Client Ledger) report as shown in Figure 1-33. This is a Customer Transaction detail report filtered for the **Client Trust Liability** account, and totaled by **Customer**.
- Step 2. The Source Name column on this report is the Payee for checks, and is blank for deposits. To rename the column header, export the report to Excel and change Source Name to Payee.

Trust Account Transactions by Client									
Type	Date	Num	Source Name	Memo	Debit	Credit	Balance		
7:26 PM 07/26/03 Academy Law Firm Trust Account Transactions by Client (Client Ledger)									
Accrual Basis All Transactions									
Duncan, Dave									
Partership Agreement									
Dep...	01/05/2003	1222		Client Deposit - Dun...		10,000.00	10,000.00		
Bill	01/31/2003	013103	Academy Law Firm	Copies	25.50		9,974.50		
Bill	01/31/2003	013103	Academy Law Firm	Copies	12.50		9,962.00		
Bill	02/18/2003	9996	DeeLivery Service	Courier / Delivery S...	15.00		9,947.00		
Bill	02/25/2003	1458	Blue Moon Investiga...	Investigations	25.63		9,921.37		
Bill	02/28/2003		Academy Law Firm	Copies	9.70		9,911.67		
Bill	02/28/2003		Academy Law Firm	Attorney's Fees - Pa...	9,200.00		711.67		
Bill	03/15/2003	123	Harris County Court	Court Costs	52.50		659.17		
Bill	03/31/2003	Copies...	Academy Law Firm	Copies	9.90		649.27		
Bill	03/31/2003	2003-129	Academy Law Firm	Attorney's Fees - Pa...	548.12		101.15		
Cre...	05/16/2003		Southern Travel	Travel	101.15		0.00		
Total Partership Agreement					10,000.00	10,000.00	0.00		
Total Duncan, Dave					10,000.00	10,000.00	0.00		
Easley Builders									
Mecahnich Lein Grand Ave									
Dep...	01/05/2003	147		Easley Mechanic Le...		8,000.00	8,000.00		
Bill	01/31/2003	013103	Academy Law Firm	Copies	87.60		7,912.40		
Bill	01/31/2003		Blue Moon Investiga...	Investigations	47.50		7,864.90		
Bill	01/31/2003	013103	Academy Law Firm	Copies	4.70		7,860.20		
Bill	02/28/2003		Academy Law Firm	Copies	1.10		7,859.10		
Bill	03/31/2003	Copies...	Academy Law Firm	Copies	4.80		7,854.30		
Total Mecahnich Lein Grand Ave					145.70	8,000.00	7,854.30		
Mechanic Lein Broadway									

The Source Name column is the Payee field on checks.

Figure 1-33 Trust Account Transactions by Client Report.

### Account Journal Report

The Account Journal report is a listing of all transactions in the Client Trust Checking account. This is a Check Detail report with all filters removed except for the account filter set to the Client Trust Checking account.

The Name column is the Client and Matter (Customer:Job). The Source Name column on this report is the Payee for checks, and is blank for deposits. The Paid Amount column is the amount of the deposit or check. Positive amounts are deposits (debits) and negative amounts are checks (credits). To rename the column headers, export the report to Excel and change Name to Client/Matter, and Source Name to Payee and Paid Amount to Amount.

Client Trust Checking - Account Journal

7:57 PM  
07/26/03

Academy Law Firm  
Client Trust Checking - Account Journal  
All Transactions

Type	Num	Date	Name	Source Name	Memo	Paid Amount
Deposit		01/22/2003			Client Deposit - L...	
			Lucchini, Bill:Cu...		Client Deposit - L...	32,650.00
			Lucchini, Bill:Div...		Client Deposit - L...	11,000.00
			Morgenthaler, Je...		Client Deposit - M...	5,000.00
			Nguyen, Tuan:Re...		Client Deposit - N...	8,500.00
TOTAL						57,150.00
Deposit		02/15/2003			Client Deposit - L...	
			Lamb, Brad:Fami...		Client Deposit - L...	5,000.00
TOTAL						5,000.00
Bill Pm...		02/15/2003	Blue Moon Inves...	Blue Moon Inv...		
Bill		01/31/2003	Easley Builders:...	Blue Moon Inv...	Investigations	-47.50
			Oliveri, Tom:Wor...	Blue Moon Inv...	Investigations	-225.00
			Tumacder, Jacin...	Blue Moon Inv...	Investigations	-275.50
			Lucchini, Bill:Div...	Blue Moon Inv...	Investigations	-495.00
TOTAL						-1,043.00
Bill Pm...		02/15/2003	Academy Law Firm	Academy Law ...		
Bill	013103	01/31/2003	Duncan, Dave:Pa...	Academy Law ...	Copies	-12.50

The Source Name is the Payee and the Paid Amount is the Amount of the check or deposit. Positive amounts are deposits and negative amounts are checks.

Figure 1-34 Client Trust Account Journal Report

### Other Resources

Several references were consulted in the preparation of this chapter. We strongly recommend that you consult the appropriate authority in your state to determine the best setup for your Client Trust Account record keeping system.

<http://www.nylawfund.org/press/video.shtml> - New York - Attorney Trust Accounts and Law Office Record Keeping Video.

<http://www.azflse.org/AZFLSE/iolta/iolta.cfm> - Arizona Rule 44 on IOLTA accounts.

<http://www.michbar.org/opinions/ethics/RecordRetention/r-7.html> - Michigan R-7 Trust Guidelines.

[http://www.mlsc.org/general\\_information\\_about\\_iolta\\_.htm](http://www.mlsc.org/general_information_about_iolta_.htm) - Maryland - Information about IOLTA compliance.

[http://www.dcbart.org/inside\\_the\\_bar/departments/lawyer\\_practice\\_assistance\\_program/iolta.cfm](http://www.dcbart.org/inside_the_bar/departments/lawyer_practice_assistance_program/iolta.cfm) - Washington DC Rules on IOLTA accounts.

<http://www.lectlaw.com/files/att12.htm> - California - What Lawyers need to know about Trust Accounts.

[http://www.iardc.org/clienttrusthandbook\\_toc.html](http://www.iardc.org/clienttrusthandbook_toc.html) - Illinois Client Trust Account Handbook.