

Appendix D: Overview of Different Types of Accounting Systems

This appendix is **optional reading**, in that you are not expected to read this material to complete the test for this module.

Paper-Based Systems

Traditional Bound Accounting Books

These are the books that can be purchased at any stationery or office supply store (Staples, Office Depot). They are inexpensive and generally easy to keep—provided that the initial journals and accounts have been set up properly in the first place (it is VERY useful to engage an accountant or bookkeeper to set the accounts up, and you would be well advised to spend a little time with the accountant or bookkeeper to understand how this system works and how to make proper postings if you are not going to engage a bookkeeper). Users must be diligent in making the entries.

Initial cost: Inexpensive

Benefits: Cheap, can be easy to use if familiar with its operation, suitable for low-volume practices

Drawbacks:

- Requires knowledge of accounting—rarely used these days
- Difficult to reconcile (as compared to a computerized system)
- No benefit of ancillary systems (such as conflict checking, limitation systems, accounts receivable reminders etc. that arise in a computerized system)
- No automatic production of management reports (cash flow statements, billings by lawyer per period, disbursements on a file, etc.)
- No linkage to other office systems

"One-Write" Systems

These are accounting systems that have been designed by people such as Safeguard™. They simplify the accounting process by providing a means whereby all entries are prepared simultaneously (by carbon or NCR paper). These systems ease the need to make double-entries by causing the entries to be made at the same time—hence the "one-write" system.

Initial cost: \$500

Benefits: Reduces mistakes, easy to use

Drawbacks:

- No benefit of ancillary systems (such as conflict checking, limitation systems, accounts receivable reminders, etc. that arise in a full-computerized accounting system)
- No linkage to other systems
- No general accounting capability—you still require another system to do your regular office accounting

Generic Accounting and Financial Statement Packages

Examples: Quickbooks and QuickBooks Pro, MYOB, Quicken, Simply Accounting, Peachtree, Microsoft's Great Plains Accounting.

Most of these systems were designed for manufacturing businesses; if you intend to purchase one, make sure they can incorporate such features as:

- Client file database
- Time and disbursement recording and billing
- Trust accounting
- Non-trust accounting including general ledger and financial statements

Quickbooks Pro along with some others are now incorporating some features that can make them useful for professionals. They are available from office supply stores (Staples, Office Depot) and from the Internet.

Initial cost: \$100 to \$400

Benefits: Full computerized accounting system, often with additional components

Drawbacks:

- No limitation system incorporated into the system
- Not designed specifically with a law office environment in mind; may need some training to use
- Not designed specifically to handle trust funds

Integrated Legal Accounting Systems

Examples: PCLAW and PCLAW PRO, ESILAW, Brief Accounting, Tabs III.

These packages take the idea of a general accounting and financial statement package, and apply them to the specific needs of the legal market. As well as offering all the features of the general accounting systems, they can (and usually do) incorporate conflict checking, calendaring (bring forward systems) and management reports specific to lawyers and law offices. They are usually available from local distributors or from sales offices or on the Internet.

Initial cost: Typically \$500 and up

Benefits:

- One-stop shopping
- Usually offer a full-line of modules that extend the accounting system into a full accounting and case management system
- Integrate multiple offices

Drawbacks:

- These are usually the accounting systems for larger law firms or ones requiring a fully integrated office solution (Integra is the exception)
- Training in the systems is required
- Dedicated staff required to manage and run the system