

# Start 2022 on a Profitable Note with these Essential Law Firm Accounting Reports

---

A successful start to 2022 begins with a detailed view of your firm's financial wellbeing. Without this information, you lack the data you need to make profitable decisions in the new year. Data reporting helps lawyers keep a close eye on the business aspects of their law firms and the end of the year offers an opportune time for taking on this important task.

The following are some reports that every law firm should run in preparation for a profitable 2022. They have been divided into financial reports, which are the most common accounting records, and operational reports, which still affect the firm's finances.

## Financial Reports

### Profit and Loss (P&L)

A year-end P&L report lists the revenue, costs, and expenses that your firm accumulated in 2021. The top-line totals the firm's revenue. Total costs are deducted from that number to determine the bottom line, which is also the net income. With the P&L statement, lawyers can examine where and how the firm profited over the last year. They can then take that information to strategize for the firm's growth in 2022.

### Expenses

An expense report tracks how much money a firm must spend annually on overhead and operation costs. These statements can include a variety of costs, such as:

- Office rent or mortgage
- Utilities
- Employee salaries
- Taxes
- Service providers
- Marketing costs

An accurate expense report is an extremely important tool for lawyers. To keep their legal practices in good financial standing, they need to keep a consistent eye on the amount of money being spent by the firm on an annual basis.

This information may also reveal some areas that are ripe for cost savings in 2022. For example, maybe there is a more cost-effective and innovative legal billing software option on the market compared to the system that the firm has been using for the past decade. Perhaps the firm is still paying for an in-office coffee service even though a good percentage of the firm now works remotely. A yearly expense report is a great start to tightening the budget in 2022.

### **Accounts Receivable (AR)**

AR reports listing all outstanding client invoices and how long they have gone unpaid. This information helps firms take a closer look at their current collection processes and make necessary tweaks to reduce AR in 2022.

AR reporting also helps attorneys identify accounts where the collection is highly unlikely. This is because the longer an account remains outstanding, the less likely it is that the client will pay the funds owed to the firm. AR reports give law firms the information they need to decide which overdue accounts to pursue and which to write off as bad debts.

### **Billable Hours**

Whether a law firm bills on a traditional hourly basis or offers fixed fee arrangements, the billable hour is still crucial to measuring the financial wellbeing of the firm. Billable hour reporting reveals how much of 2021 was spent handling billable tasks in comparison to how many hours were spent on administrative ones. An inadequate number of billable hours can place a

firm in a dire financial situation where cash flow is lacking and overhead costs go unpaid. By reviewing this data as part of the year-end accounting process, lawyers can identify deficiencies and craft plans to address them in the coming year.

## **Operational Reports**

### **Efficiency**

Comprehensive reporting capabilities, like those offered by TimeSolv legal billing software, also allow law firms to run reports related to various practice operations, including:

- **Most profitable matters** – Data about specific practice areas or types of matters helps firm leaders identify their most profitable cases. They can review the spent cost and time to determine whether certain cases are more costly than they are worth. They can then strategize a marketing plan that targets those types of cases for greater profitability in 2022.
- **Employee Performance** – Reporting data may also provide some insight into the productivity of firm attorneys and support staff during 2021. Leaders may run reports that show how long specific matters, or even specific matter tasks, took for completion. Other reporting options include the ability to review whether matters stayed within established time and cost budgets.
- **Marketing** – In 2022, marketing will continue to be essential to running a successful law practice in a competitive legal market. So lawyers need to pay close attention to which efforts were successful at bringing in leads over the past year and which efforts were ultimately a waste of time and money. Google Analytics, lead intake forms, and website performance reports offer a wealth of data to help lawyers review the performance of their marketing in 2021 while preparing a successful plan for 2022.

## **These Accounting Reports Help Law Firms Plan for a Profitable 2022**

Before law firms can put their best foot forward in the new year, they need to take a good look at where they stand at the end of 2021. These reports offer the data that you need to do just that. To learn more about the vast reporting capabilities of TimeSolv legal billing software, click [this website link.](#)