

Struggling to Close your Law Firm's 2021 Books? Here are some Simple Steps to Getting it Done

If your 2022 resolution includes growth and greater profitability for your law firm, there is one variable that you must examine before moving forward. That's 2021. Properly closing the old year sets up your firm for greater success in the year to come, and here's why:

- **Identify strengths and weaknesses** – When setting growth strategies for the coming year, it is useful to know where your [law firm's strengths and weaknesses](#) lie so that you can either highlight or address them as appropriate.
- **Wins and losses** – A comprehensive review of the past year helps you identify your firm's wins and losses. For instance, did your firm have a big public win in the courtroom? Did a specific practice area prove extremely profitable? This type of information is essential for strategizing growth and crafting a 2022 marketing plan.
- **Goals and plans** – With last year's performance indicators, you are better armed to set goals for the new year and make detailed plans for reaching them. You can decide which efforts to duplicate and which ones to leave in 2021, while also considering such possibilities as outsourcing, automation, and new technologies to optimize firm performance.

All of this data can prove extremely valuable as you move into the new year, but first, you need to properly close out the old one. Unfortunately, many law firm owners have no clue how to go about this process. After all, they are trained in the law and not accounting. But with a little organization, closing the books can be a painless process. Here are some tips to help:

Get Your Records in Order

Idealistically, you have already gathered the following documents in preparation for the new year and the upcoming tax season. But if you haven't, it is crucial to do so as soon as possible. Here are some of the docs you will need:

- Profit and Loss Statements
- Expense documentation (Receipts, banking records, bills)
- Inventory and depreciation data
- Business tax deductions
- Vendor bills
- Employee Payroll data
- Financial Statements

This list is only meant to provide a starting point and a sample of the records you may need. For a more complete list, consult with your firm's accountant or CPA.

Tax Preparation

Tax time is right around the corner and year-end is a perfect time to make sure that your firm has all of its 2021 ducks in a row. Do some research on law firm tax audits to identify what information the IRS would likely look for should an audit occur. Of course, this doesn't mean that you want a tax audit but working backward can help your law firm meet its tax obligations more completely right from the start. Here are some examples of some 2021 documents and records to gather:

- Time records for each firm timekeeper
- Client invoices and statements
- Records of any invoice write-offs
- Expense reports
- Outsourcing and contractor records

- Accounting documents, including income P&L statements and balance sheets)

Law firms that utilize practice management or legal billing software systems have a heads up on this list. Platforms like TimeSolv legal billing software help law firms maintain these records in a streamlined central location, which makes it much easier for you to access them when closing out the year.

General Closeout Tasks

In addition to the financial duties involved in the year-end closeout, there are also some general tasks that law firms should take on when navigating this transition. These include some of the following:

- Archiving important records and data according to your document retention policies
- Ensure all annual CLE requirements have been met
- File necessary corporate reports
- Verify employee payroll and tax data
- Reconcile bank accounts
- Reconcile employee trust accounts
- Update cybersecurity measures

The mention of year-end closeout tends to only bring about thoughts of financial statements and accounting records, but these general tasks are equally as important when moving into the new year.

Your Law Firm Can Start 2022 on a High Note with a Comprehensive 2021 Year End Review

Growth and profitability will not come about in the new year without a detailed review of the firm's performance over the past year. With this simple guide, you can complete this task with minimal complications and challenges. Click [this website link](#) for more information on all the ways that

TimeSolv legal billing can help your firm be prepared to start the new year on a high note.