Cash Flow Management

Introduction

Although most lawyers would like to "just practice law", law is a professional business and lawyers must make a living if they are to continue serving their clients. The economic environment in which most law firms now operate is characterized by increasing competition, price pressure, increasing costs and demands by ever more sophisticated client for ever greater levels of service. In this environment, lawyers are coming to understand the importance of **cash flow management.**

1. Overview

Cash Flow: The lifeblood of a law practice.

Cash flow management addresses the movement of money into, through and out of a law practice, the ultimate goal being to produce a sufficient profit to make the practice a viable business enterprise.

We start with the observation that you must spend money and other resources on capital, marketing and overhead **before** you are in a position to get paid for your work. When you are just starting up, you will not be able to finance your initial capital, marketing and overhead expenditures out of cash flow, so you will either have to put your own money into the business as a capital contribution or you will have to borrow. When you work on a file, you use the infrastructure you created in the past to create value that clients will pay for.

Capital in a law practice includes hard assets like furnishings and equipment, as well as soft items like checklists, systems, procedures and routines that do not show up on the balance sheet. You also have a capital investment in your people, including yourself. Continuing legal education programs for yourself and training programs for your staff are capital investments you make in the present so your business will run better and make more money in the future. Finally, the time you spend managing your practice is in the nature of a capital investment.

When you work on a file, you also harvest the fruit of **marketing** activity you paid for in the past. Some marketing, such as advertising, involves direct expenditures. Other marketing is paid for indirectly; for example, attending a board meeting for a group home diverts you from other work and therefore has a cost attached to it, even though it doesn't show up as such in your financial statements.

Working on a file also consumes **overhead**--rent, secretarial time, supplies, wear-and-tear on equipment, etc. The amount of overhead required depends on the nature of the work. The most expensive overhead item on most client matters is lawyer time, although it doesn't show up on the financial statements as an overhead item unless the lawyer is an employee.

You also incur disbursements—expenses you incur on behalf of a client, which, from a business point of view, are really overhead items that you bill separately from your fees.

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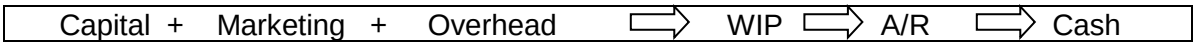
Having spent money for capital infrastructure to enable you to do the work, for the marketing necessary to attract the work, and for the overhead needed to actually do the work, you now have work in progress, or **WIP**. You turn your WIP into an account receivable, or **A/R**, by billing the client. When you collect your A/R, you finally have **cash.**

So the sequence of expenditure and collection on a file looks something like this:



Obviously, this is only a simplified, notional representation of the flow of cash through a law office; the reality is much more complex because a practice has many files, capital projects and marketing strategies going on at the same time. As Edward Poll puts it in Attorney and Law Firm Guide to The Business of Law: Planning and Operating for Survival and Growth, ABA, 1994, at p. 43:

> *A business needs a cash flow statement because of the time differential between the expenditure of funds and the receipt of cash revenues. The cash-back-to-cash cycle takes time. Before the first cycle is concluded, the second cycle has started. Thus a business needs additional cash to keep the firm operating and must plan for cash flowing both in and out. This is true even in cases where advance, initial retainers are received. Such retainers ease your plight or shorten the cycle, but they do not eliminate this overlap of cycles.*

As Poll points out, you cannot just put your revenues straight into your pocket. Some must be reinvested in the business as capital, marketing and overhead expenditures for on-going and future work. Some must go to income tax, which is based on your profit, not your take-home. Some must go to pay off the debt you may have incurred to pay for capital, marketing and overhead before you could finance those expenditures out of cash flow. Only when you have taken care of the cash needs of your business can you take money out to meet your personal needs.

The key to maximizing profitability through cash flow management is to reduce the time gap between when you spend and when you collect as much as possible. Thus, you should:

- ☐ use your capital infrastructure as soon after it has been created and as often as possible (if you specialize in one or two practice areas, you can use your capital investment over and over, rather than having to maintain expertise, trained staff, precedents and systems for multiple practice areas)
- ☐ strive to convert your marketing activities into work as quickly as possible
- ☐ turn opportunities to do new legal work into WIP as soon as possible
- ☐ convert WIP into accounts receivable by billing clients as soon as possible
- ☐ collect on accounts receivable as soon as possible
- ☐ pay down your debt as quickly as possible

You also need to watch for **leakages**, such as:

- ☐ WIP that is not converted into an account receivable because you have lost track of it or are too embarrassed to bill it because of delay
- ☐ disbursements that you can't bill because you lost track of them
- ☐ accounts receivable you can't collect for any number of reasons

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2. Fees

You cannot communicate too much about fees.

How much should you charge for your legal services? What are they worth? How do you know if you have charged too much? too little? These questions are critical to cash flow management.

Setting fees is one of the most difficult things a lawyer has to do because there are so many intangible factors to take into account. Although there are many variations, fees typically fall into one of four types:

- ☐ Fixed fees (also called block fees)
- ☐ Contingent fees
- ☐ Hourly fees
- ☐ Fees based on quantum meruit

The Statement of Principle of Chapter 13, Fees, of the Alberta Code of Professional Conduct, reads as follows:

A lawyer's fee must not exceed a fair and reasonable amount.

Chapter 13 fleshes out this principle with specific rules and commentaries.

Some further pointers about discussing fees:

- ☐ Your clients are vitally interested in what their legal services will cost. However, they may be timid about introducing the topic, so it is up to you to take the initiative, preferably at the first interview. If you are not sure of what you want to charge at the first interview, and there are no imminent deadlines, there is nothing wrong with saying, "I want to give some thought to the fees I should charge you for this case. If you will come back in next Monday, I will go over the matter of fees in detail with you at that time. In the meantime, I won't do anything that will cost you any money."
- ☐ Try to develop a "routine" for introducing the topic; for example, you could say, "I guess you're wondering how much this is going to cost you. Well, ..." and then outline the basis for your charges.
- ☐ The discussion should be frank, candid and comprehensive. It should take as long as necessary to ensure that all the client's concerns are addressed in full.
- ☐ Try not to imply, "I'm sorry this is going to cost you so much, but..." If your fees are reasonable, there is no need to apologize.
- ☐ Remember that your clients are often under considerable stress when they are in your office. Your explanation of fees and disbursements may be a model of clarity, but it may go in one ear and out the other. Be prepared to give the explanation in writing as well as verbally.

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- ☐ Let your clients take the fee agreement or fee memo home and read it over before committing themselves to it. Allow them time to "buy in" to the arrangement. Clients who understand and accept the fee arrangement are much more willing to abide by it than those who don't.

Here are some additional pointers about fee agreements from A Guide to Setting Up and Running Your Law Office, a publication of the Oregon State Bar Professional Liability Fund:

a. Identify the Scope of Services. The fee agreement should include the scope of engagement. Written fee agreements should specify the services to be rendered, provide the client with clarity, and provide the lawyer with written proof of what he or she has agreed to do.

b. Specify Timing of Services. A fee agreement that clearly states that the lawyer will commence the representation after the client performs a future act, such as paying a retainer fee, providing money for filing fees, or providing crucial background information, can avoid a misunderstanding about when the lawyer will begin providing services.

c. Explain the Type of Fee. A client is generally not familiar with legal terms such as contingent fee, costs, retainer fee, or flat fee. Be certain to explain these terms carefully to the client. For example, if a contingency fee is used, explain what the percentage fee will mean in terms of dollars. Be certain that the client understands he or she will be responsible for costs regardless of the outcome. If an hourly fee is used, estimate the number of hours the case may take and periodically update the client. Provide revised estimates if the case takes more time than originally planned. If the fee arrangement is for an uncontested case, be certain to define "uncontested". For example, if the fee applies only if the lawyer does not have to negotiate support or property division, let the client know this.

d. Stick to the Payment Terms. The fee agreement should specifically state when the client is expected to pay for services, even if the arrangement is for a contingent fee. Many contingent fee cases involve the expenditure of large amounts of money for costs. Outlining the terms of payment in the fee agreement enables the lawyer to recover these costs on a monthly or other basis.

Once the fee agreement is signed, treat it as the contract it is. Follow through on the legal work to be performed, and require the client to pay as the client agreed to do. Do not change your method of compensation in the middle of the case [and don't let the client unilaterally amend the payment arrangement].

e. Form of Agreement. The fee agreement can be a separate letter or memorandum, or it can be incorporated into an initial acknowledgment letter to the client. Whichever method is used, the agreement should (1) specify the scope and timing of representation; (2) delineate what the client is expected to pay for and when; (3) explain billing practices and when the client can expect to receive bills; (4) identify what will occur if payment is not made; and (5) be signed by the client.

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It is important for the lawyer to personally review the agreements with the client. The lawyer should also send a copy of the agreement to the client so the client can review the agreement in the client's own home or office. The agreement should be stated in terms the client can understand.

3. Retainers

Don't let your clients turn you into a charity.

The word "retainer" has many meanings. In this article, it refers to the money deposit a lawyer requires a client to make at the outset of and to maintain during the currency of the lawyer's representation of the client, to be held in trust as security for payment of the lawyer's fees and disbursements. A firm's retainer policy is a critical element in its **credit policy**. (Every time you do work for a client, you lay out your time and your overhead for the benefit of your client. Your credit policy is expressed in the rules you establish to ensure that you get paid. Too many law firm credit policies are based on **hope**.)

A strong retainer policy is essential for cash flow management in most law practices. Chasing clients for fees for work already done and billed and for disbursements long since paid by the firm is one of the most demanding, demeaning, unremunerative, debilitating, stressful things a lawyer has to do. The amount of time and energy a lawyer has to put into collections is directly related to the lawyer's retainer policy. A lawyer who always requires a retainer will have no collections problems. That lawyer may have less work than a lawyer who works "on spec", but will get paid for all work done. Jay G. Foonberg elevated this principle to a law:

Foonberg's Law

It is better to not do the work and not get paid than to do the work and not get paid.

A sound retainer policy involves more than just getting a few hundred dollars "up front" for expenses on each file.

- ☐ If the amount of the account is relatively small and the work will be done in a relatively short and compact period of time, the retainer should amount to a reasonable pre-estimate of the total cost of the work to be done.
- ☐ If the amount of the account is anticipated to be larger and/or the work will take a longer period of time, the initial retainer should amount to at least enough to cover the first block of work to be done.

  When it comes time to bill the first block of work, remember that the retainer is your security for getting paid. Instead of paying the initial account out of trust, which is what most lawyers do, you should require your client to pay the account, leaving the retainer at its former level. If the next block of work will cost more than the last, the client should be required to increase the retainer. In this way, the retainer will always be available to secure the **last** work done. As well, you will learn early on if the client is willing to pay you more than the initial retainer.

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In the real world, of course, you can't always get a retainer. Many lawyers become quite successful doing cases on speculation. "Spec" files are files where you get paid when the matter is finished, including but not limited to contingency files. It takes time, experience and deep pockets to build a practice based on spec files. Lawyers who succeed in this kind of practice learn how to evaluate the risks involved in the cases that are presented to them. When dealing with an established client, the risk in a spec file may be close to nil. With new clients, the situation is completely different, and they have learned when and how to say No. After many years, their practices have developed to the point of having cases at all stages of development, with a relatively stable cash flow from the small cases and less frequent bulges of cash from larger settlements. This state of grace is not available to the newly established lawyer, for whom large, time-demanding spec files can be a disaster.

The bottom line is this: if you speculative work, be very clear about what you are doing: spending your time and your overhead, which you must pay for currently, in the hope that you will get paid in the future. Some lawyers take spec files on the basis that they are willing to invest their time, but the client must pay for the disbursements on an ongoing basis. They rationalize this practice on the basis that they "will not have to lay out any cash to support the case." This is an illusion. Will your legal assistant wait for her salary until the file is settled? Will your landlord wait for the rent? Even where the client pays the disbursements, the lawyer is investing out-of-well pocket cash in overhead to support the file in the future.

Here is some good advice from an article called “Practical Billing Techniques” by Theodore P. Orenstein:

> *Considerations of whether the client can afford the retainer should not focus on the client's spare cash or expendable savings. If the matter brought to you by the client is not important enough to the client to cause him or her to borrow the retainer or liquidate assets, perhaps the client should think twice about undertaking the matter.*
>
> *... if a sacrifice mustbe made in order to pursue the matter, it should be the client’s sacrifice, not yours.*
>
> *Do not be fooled by the feeling that you do not want to lose the client's business.* ***That business has no value to you if you are not paid for it. Do not look for an opportunity to lose money.*** *[emphasis added]*
>
> *If the client balks at liquidating or liening some of his or her income-producing assets to pay the retainer, explain that a refundable retainer remains the property of the client until billed against, that it must be kept in a separate account, that it cannot be commingled with your money and that you could be disbarred for violating these rules.*

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Also, explain that all unused retainer money will be returned to the client immediately upon the conclusion of the matter or at any time the client should decide to terminate your work on the case. If the retainer is large enough, offer to keep it in a high-interest account and give the client the option to receive the interest from the unused balance periodically.

The fact that the client does not have sufficient funds to retain you on your normal terms is not your fault. You are not responsible for the client being in need of legal services. You are not morally or ethically bound to represent every client that comes to you (although you may be ethically bound to continue representing a client once you have started). By turning the file down, you may have less work, but a faster response time to your other clients, a more effective (because less pressured) staff, more time to devote to marketing and the management of your office, less stress, more money and a happier family.

If a new client cannot afford a retainer, you may decide that the client's case is of sufficient interest or importance that you are willing to take on the case as a charity or a learning experience. There is nothing wrong with that provided the client receives competent legal services. However, you should make your decision for sound moral and business reasons, not because you were flattered that someone asked you to be their lawyer or because the client is convinced that the case so cries out for justice that no lawyer could reasonably turn down the opportunity to work on it for nothing.

You should discuss your retainer policy with your client right at the beginning of your representation (usually in the first interview) and you should confirm the conversation in writing, preferably in a written fee agreement.

4. Keeping Track of Time

Studies confirm that lawyers who keep time bill more than lawyers who don't.

Time-keeping has become very wide-spread in the legal profession, particularly since computers have arrived in smaller firms. Many practitioners bill only on the basis of time; others combine time-based billing with other methods, such as block fees, contingency fees and quantum meruit.

There is considerable controversy over how lawyers should use time records in setting their fees. Many bill their clients the amount of time booked multiplied by their hourly rate. Others use time as just one of a number of factors to be taken into account. Still others believe that time is only a measure of the cost of legal services, and that the fees billed should be based on the value of the services to the client. However you chose to use them, detailed time records help to produce the kind of accounts clients are more willing to pay (see below) and are invaluable if a fee dispute arises.

It is very important that your time records be kept up to date.

Computer-based time records can contribute to cash flow by providing management information.

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For example, an aged work-in-progress list will identify files where the work was done several months ago and has not been billed, and an aged accounts receivable listing shows which accounts are at risk of becoming uncollectable.

5. Disbursements, Part 1: Disbursements Control

Uncontrolled disbursements: A death of a thousand cuts.

Uncontrolled disbursements can have a major negative impact on cash flow. Disbursements are, by definition, payments to third parties, such as court fees, transcription charges, and courier fees. Uncollected disbursements, then, are loans to clients. Reread the comments earlier in this article about your credit policy. Are you in the lending business? You certainly may take a legal matter on contingency with the expectation and agreement to advance the costs to the client pending the outcome of the matter. But if you do not want to be in the banking business, then make it clear in your fee agreement that the client is responsible for these third-party expenses. Depending on the rules in your jurisdiction, you may want to seek an advance for costs from the client.

Some suggested rules for controlling disbursements:

- ☐ Make sure every disbursement generates a piece of paper.
- ☐ Post the disbursement against the file from the first piece of paper that indicates that the disbursement has been incurred. Do not wait until they are invoiced or paid. For example, post courier charges from the courier slip, not the statement (this may require training the couriers to write the charges on the slips when they pick up or deliver, or getting the courier company's rate sheet so the secretary can tell what the charge will be).
- ☐ Do not estimate disbursements; disbursements are actual amounts paid out on a client's behalf, and it is dishonest to represent an amount as such if you are not sure of the actual amount.
- ☐ Adopt a system to mark invoices, receipts, and other disbursement documents to show that the disbursement has been posted (e.g., use a self-inking stamp).
- ☐ Whenever possible, pay for disbursements by check; it is too easy to lose track of out-of-pocket cash disbursements. Out-of-pocket cash disbursements that cannot be avoided should be recorded on a timely basis.
- ☐ Discuss disbursements with your client at the initial interview. Make sure the client understands that disbursements will be charged in addition to fees and other charges and how the disbursements will be calculated. Confirm this information in your written fee agreement.

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6. Disbursements, Part 2: Bean-counting vs. Rain-making

> Technology should be a tool used by the law firm to achieve its goals; it should not drive the law firm.

Like all other aspects of practicing law, disburse-ments control requires judgment. The practitioner must balance a variety of competing positions and interests and make the best decision in the circumstances.

The disbursements control policies discussed in this article are made possible or much easier by modern electronic technology. For example, electronic interfaces with fax machines, photocopiers and telephones make automatic disbursements posting possible. However, just because technology is available, it does not follow that it should always be used to do everything it can do. Technology should serve the practice of law, not vice versa.

In particular, lawyers need to be careful about the impact of technology on their relationship with their clients. Do not let your eagerness to collect all your disbursements sour your relationship with good clients. Like a "shop charge" in an auto repair shop, a nickel and diming approach can annoy clients. We do no favor to ourselves or our profession if we seem so intent on recovering every disbursement that we lose perspective on the total amount the client is being asked to pay. Does it really make sense to charge an extra $7.25 for photocopies as the only disbursement on an account for $1,500.00 in fees? As well, sending out small accounts for disbursements long after the final bill was rendered and paid can make you look like you lack sound business acumen.

If you need to recover disbursements, try one of the following solutions:

- ☐ Charge each client a one-time administrative fee to cover in-office charges, such as postage, in-office copying, long distance telephone charges, and other similar office fees. This will also save staff time by not having to input each charge into your computer billing system. Out-of-office disbursements may still be billed directly to the client.
- ☐ Raise your billing rates to cover the in-office charges. When you charge a client for copies, postage, and the like, you are passing along overhead.

  By adding it into your billing rate, the client still pays of the charges, but it is not singled out as a separate item each month on the client's bill.

Implementing changes in disbursements tracking and charging policies will therefore require careful consideration of the repercussions the new policies and practices on clients. Be sure to make the changes in your written fee agreement form.

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7. Interim Billing

Interim billing: Essential for cash flow and peace of mind.

Most clients like to be billed on an interim basis—usually once per month. It keeps them apprised of the amount of fees and disbursements they are incurring as the matter proceeds, so they can make the necessary arrangements if the cost of pursuing the matter exceeds their initial expectations. They are also in a position to decide to end the matter if the costs reach the point that they exceed the value of the outcome. Interim billing also relieves clients of the anxiety of an unknown and unmanageable bill when the matter is finished.

Interim billing is also good for the lawyer. It smoothes out cash flow, and as soon as the cost of a matter exceeds the amount the client has available to commit to it, the lawyer becomes aware of the fact that a file that was expected to be an ongoing contributor to cash flow has in fact become a spec file.

There are four common interim billing intervals:

- ☐ on a regular time cycle, such as monthly, bi-monthly or quarterly;
- ☐ when the fees and/or disbursements reach a predetermined amount;
- ☐ at specific intervals in the processing of the matter, such as after delivery of pleadings, after discovery, during trial preparation and after trial; and
- ☐ when a cash flow crisis generates a billing frenzy (not recommended).

The choice will depend on the nature of your practice, your arrangements with your clients and the availability of technology (monthly billings based on time records are very easy with a computerized accounting system, but almost impossible otherwise).

Interim billing should be discussed with the client at the initial interview and confirmed in writing in the written fee agreement.

8. Final Billing

Final billing: it’s easy when there’s money in trust.

For too many lawyers, the end of the legal work on a file signals the beginning of the really hard work--getting paid. Other, more interesting, challenging and urgent matters grab the lawyer's attention, and before long, two or three months have passed and the bill still hasn't gone out. The lawyer is embarrassed, and, because of the delay, feels hesitant to charge full value for the work done. By the time the discounted account goes out, the client has forgotten the wonderful result the lawyer achieved. Moreover, the client is annoyed at having been subjected to months of stewing about how much the final account will be. The client is liable to treat paying the account with the same degree of diligence as the lawyer displayed in getting it out, so eight or ten months after the work was done, the lawyer is sweating bullets trying to extract the money from a now ungrateful client.

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Obviously, final billing problems are partly solved through a strong retainer policy. If the money is sitting in a trust account and the rent is due, all those other more interesting or challenging or important matters will fade into the background, and getting that final bill and report out will become a priority.

The client is impressed by how quickly you finalize the matter. You may even send some money back to the client, which will almost always guarantee the client's loyalty forever.

Another procedure that will help to alleviate final billing problems is to set a time limit for final billings--say, a week after the final legal work is done on a file--and delegate the responsibility for doing the preparatory work and meeting the deadline to staff. For example, a secretary or bookkeeper can be trained to prepare a draft account, saving you valuable dictation time, and, more to the point, getting the account moved quickly toward completion.

The person to whom you delegate this responsibility should also have the authority to **demand** your time to review and finalize the account within the pre-established time frame. It will be very frustrating for the person operating the system if the lawyer's part of the work is not performed diligently.

9. Presentation of Your Account

The format of your account should encourage prompt payment.

While it may never be possible to produce accounts that **every** client will **want** to pay, it is possible to draft your accounts in such a way that clients may be less disinclined to delay payment. You can project effort, concern, ethics and competence in your account by:

- ☐ clearly describing **all** work done by the entire staff team
- ☐ using verbs and verb-related words to give each description of work its rightful impact (for example, use preparing rather than preparation of)
- ☐ avoiding colorless and meaningless abbreviations like "TT" and "TF"
- ☐ including a personal note of thanks or acknowledgment
- ☐ writing off small amounts of fees and disbursements
- ☐ making sure the client can easily and quickly tell how much is owed by putting all the financial information on the front page of the account and the time details in an attached appendix (if you have a computer-based accounting system, spend the time necessary to modify the default format supplied by the software vendor to meet your requirements)
- ☐ making sure your account looks good
- ☐ whenever a bill is paid out of your client trust account, provide the client with a trust statement showing the balance
- ☐ if you reduce the amount of your bill, show the reduction on the face of the bill so the client knows that the amount of the account has been given your personal attention and special consideration

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- ☐ if the client will be surprised at the amount of the account, provide an explanation in an accompanying letter or, better, initiate a phone call or office visit before the account goes out

Finally, consider as well the following statement from "Practical Billing Techniques", cited above:

> *Contrary to the belief of most lawyers, clients consider a fee to be fair if the lawyer has put great effort into the matter, rather than whether the lawyer has achieved success. If the client believes the lawyer has worked for him, he will pay the fee without objection, and if the client believes that the lawyer did not put much effort into the matter, he will be unhappy about a sizable fee even if success has been achieved.*

10. Collections

Collections ignored are revenues foregone.

If you have accounts receivable, you need a system to monitor them. The administration of this system should be delegated to staff.

Most computerized law office accounting systems automate accounts receivable tracking and produce an **aged accounts receivable report** which shows outstanding balances broken down in columns for current (under 30 days), 31-60 days, 61-90 days and 90+ days. The aged A/R report becomes the foundation for collection activity.

Here is a simple system:

- ☐ Each time an account moves from one category to the next, some step must be taken towards collection. For example, when an account moves from current to 30 days, a reminder letter is sent or a phone call is made by the secretary or bookkeeper. At 60 days, more serious action is taken, such as a stiff letter or a phone call from the lawyer. At 75 days, the responsible lawyer must make contact with the client, preferably in-person, and determine whether the bill will be paid, written off, or turned over for collection. (The details of the steps to be taken at the various intervals, and the length of the intervals, is a matter to be decided by each law firm).
- ☐ Twice a month, on the same days each month, the bookkeeper (or whoever fulfills that function) reviews the aged accounts receivable list and identifies all accounts that have moved up a category and prepares the documentation necessary to take the next collection step

Note: for the system to work, the person operating the system has to have the authority to **require** the lawyer to make decisions, sign letters and make phone calls on a timely basis.

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11. Tracking Your Progress

Chart your course and mark your path on the map.

Managing your cash flow, as opposed to merely administering it, requires you to be future-oriented, pro-active and creative. It also requires you to take responsibility for organizing the systems within your law office that will routinely provide you with the necessary information on which to base decisions. The attached Monthly Cash and Credit Analysis Form can be used as is or modified as you see fit (many firms do a weekly cash flow analysis).

A budget, regularly reviewed and revised as necessary, will provide valuable information about the financial performance of your practice.

A simple budget consists of a monthly estimate for each expense listed in your chart of accounts. A Revenue and Expenses Analysis Form is also attached. As each month is completed, the month's expenses and the year-to-date total are recorded for each expense category.

This report should automatically be prepared when the monthly trust reconciliation is done. Although the information produced by such a simple budget process may be limited, it will provide you with a basic monthly overview of how your practice is doing.

A more sophisticated budget will include items such as revenues, capital expenses, expense/revenue ratios, loans, cash-flow requirements for disbursements and other more complex law office management variables.

There is no limit to the potential complexity of a law office budget, and common sense should prevail to ensure that the information produced is really useful.

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