Closing the Month for Accrual Accounting

Contents

About Closing the Month for Accrual Accounting
Producing General Ledgers
Reconciling Unbilled Disbursements
Reconciling Fees
Reconciling Accounts Receivables
Reconciling the General Bank
Reconciling the Trust Bank and Trust Listing
Reconciling Accounts Payable
Reconciling GST
Reconciling Sales Tax
Performing End of Month
Month End Reconciliation Worksheet

About Closing the Month for Accrual Accounting
To close a month is to finalize entries for that month. Journal entries are posted to the general ledger, and account balances are frozen to prevent further changes to the financial statements for that period. Although a month can be reopened, closed month prevents data from being backdated. A month does not need to be closed immediately. PCLaw™ allows 12 months to be opened at one time before the user is prompted to close a month.

Warning: Due to variances in regional governing body requirements, all procedures and reports should be discussed with your accountant.

Some topics in this document demonstrate how to reconcile your g/l accounts manually, by producing and comparing individual reports in PCLaw™. A more recommended method of achieving this same result is by using the G/L Reconciliation report. An explanation of this report and how to reconcile the journals, general ledger and client ledger is contained in the PDF Document Library on the LexisNexis Support Center at http://support.lexisnexis.com/ltps

Producing General Ledgers

G/L > G/L Statements

Most PCLaw™ journals reconcile to the general ledger. The general ledger is preferable for comparison purposes for it displays opening balances, entry details, and closing balances.
The Common tab of the G/L Statements selection window

1. Check General Ledger.
2. Check Print.
3. Accept the Current Report Period. The period defaults to the start and end of the first open month.
4. Click OK to print the general ledger.

Tip: To print a general ledger displaying transaction detail, select Detailed Report in the Current Report Period area.

Reconciling Unbilled Disbursements

Reports > Client > Client Summary > Common tab

Unbilled disbursements are obtained from the Client Summary. Print a Client Summary for the month then use the following formula to balance unbilled disbursements to Client Disb Recov (1210).

\[
\text{(unbilled disbursements - retainers)} = 1210
\]

1. Select in the End Date box, the date of the last day for the month being reconciled.
   Tip: Consult with your accountant whether a full, Matter Balances Only, or Totals Only report is required.
2. Check Print.
3. Click OK to print the Client Summary.
4. From the Client Summary, compare the Unbd Disb less the Retainer values to the Client Disb Recov (1210) - Closing Balance.
Closing the Month for Accrual Accounting

Reconciling the Client Summary to Client Disb Recov (1210)

Reconciling Fees
In Accrual systems, fees are realized at the time of billing. Therefore, fees displayed on the Billing (Fees) Journal equal the change between the opening and closing balance of the respective fee account (4000.1 etc.) for each lawyer, assuming there are no write-downs.

Write-downs added during the month affects the lawyer's fees if write-downs are allocated to fee accounts instead of a bad debt account. Write-downs posted in the month to invoices with a bill date prior to the Billing (Fees) Journal start date do not appear on the report.

Producing the Billing Fees Journal
Reports > Journal > Billing Fees > Common Tab
Create a Billing Fees Journal for the month to be closed.
1. Leave the Matter, Lawyer, and Resp Lawyer boxes blank.
2. Select the date in the Start Date box, the first day of the month being reconciled.
3. Select the date in the End Date box, the last day of the month being reconciled.
   Tip: Consult with your accountant whether a full, Totals Only, or Firm Totals Only report is required.
4. Check Print.
5. Click the Other tab.
6. Uncheck Include Write-Ups and Write-Downs.
7. Click OK to print the journal.

Producing a Write Up/Down Journal
Reports > Journal > Write Up/Down > Common Tab
Create a Write Up/Down Journal for the month to be closed.
1. Leave the Matter, Lawyer, and Resp Lawyer boxes blank.
2. Select in the **Start Date** box, the first day of the month being reconciled.
3. Select in the **End Date** box, the last day of the month being reconciled.
   **Tip:** Consult with your accountant whether a full, or Totals Only report is required.
4. Select **Include Provisional Write-offs**.
5. Click **OK** to print the journal.

**Comparing Billed Fees and Write Downs to the General Ledger**

Compare billed fees as shown on the Billing (Fees) Journal less write downs as shown on the G/L Account Summary of the Write Up/Down Journal to each lawyers’ fee account.

**Reconciling the Billing Fees Journal to the lawyer's fee accounts**

**Reconciling Accounts Receivable**

The Client Ledger and Billing (Fees) Journal both balance with Accounts Receivable (1200). In addition, the Client Ledger and Client Summary must balance to each other. The Billing (Fees) Journal must balance with the Receivables by Client report.

The relationship is as follows:

A model for reconciling Accounts Receivable (1200)

Since the Client Summary calculates a balance for the history of the matter, the Billing (Fees) Journal needs to be run from the default start date (1/1/1982).
Producing Client Ledgers

Reports > Client > Client Ledger

Create a Client Ledger for the month to be closed.

1. Leave the Matter, Client, and Resp Lawyer boxes blank.
2. Type the Start Date for the first day for the month being reconciled.
3. Type the End Date for the last day for the month being reconciled.

   Note: Consult with your accountant whether a full, Totals Only, or Firm Totals Only report is required.
4. Click OK to produce the Client Ledger.

Producing Receivable by Client Reports

Reports > Accounts Receivables > Receivables by Client

Create a Receivable by Client report for the month to be closed

1. Leave the Matter, Client, and Resp Lawyer boxes blank.
2. Type the End Date for the last day for the month being reconciled.
3. Check Show Balances as of End Date.
4. Click OK.

Tip: If the Client Summary does not match the Client Ledger, run Tools > Verify Date Integrity > Reset Matter Balances. The procedure can be run for individual matters or clients, or leave the Matter and Client boxes blank to run for all matters.
Reconciling the General Bank
Reports > Journal > General Bank

The General Bank Journal for each individual bank account reconciles to the respective general ledger for each account.

Through the Bank Reconciliation module (Bank Rec), the General Bank Journal also reconciles to the bank statement sent from the actual banking institute(s). The Bank Journal Reconciliation section of the Bank Reconciliation report, found in Bank Rec, balances the bank statement to the bank journal. The Actual Bank Journal Balance line on the Bank Reconciliation report is retrieved from the General Bank Journal for that account as of the end date of the Bank Reconciliation period.

Bank Rec does not reconcile to the general ledger. However, since the bank journal balances to its associated general ledger account, there is an implied relationship.

**Relationship between the Bank Reconciliation and General Ledger**

The opening and closing balances of the bank statement may not correspond with the calendar month. Statement intervals may be weekly, bi-weekly or monthly.

1. Type in the **Acct** box, the nickname of the first general bank account.
2. Leave the **Che/Rec#** and **G/L Account** boxes blank.
3. Type the **Start Date** for the first day for the month being reconciled.
4. Type the **End Date** for the last day for the month being reconciled.
5. Click **OK** to produce the bank journal.
6. Repeat this procedure for each general bank account.

Reconciling the general bank accounts
Reconciling the Trust Bank

The Trust Bank presents a more involved reconciliation procedure, both on the journal side and for the general ledger. There are two key reports:

- The Trust Bank Journal reports transactions posted to its respective trust bank accounts
- The Client Trust Listing reports trust activity on a matter by matter basis. The Firm Summary on the Client Trust Listing summarizes the trust balance by bank account. These figures must always match with the Trust Bank Journal for each account.

As is the case with the general bank, each trust bank journal has a corresponding general ledger account. The journal and g/l accounts balance to each other. Also, since trust monies held are both an asset and a liability, the sum of all trust g/l accounts must equal the balance of the Trust Funds Owed account.

Through Bank Rec, the Trust Bank Journal also reconciles to the bank statement sent from the actual banking institute(s). The Bank Journal Reconciliation segment of the Bank Reconciliation report, found in the Bank Rec, works with balancing the bank statement to the journal. The Actual Bank Journal Balance line on the Bank Reconciliation is retrieved from the Trust Bank Journal for that account as of the end date of the Bank Rec period.

Bank Rec does not reconcile to the general ledger. However, since the bank journal is required to balance to its associated general ledger account, there is an implied relationship.

### The relationship between bank reconciliation and the trust bank journal

**Producing Trust Bank Journals**

**Reports > Journal > Trust Bank**

Create Trust Bank Journals for each bank account for the month to be closed
1. Type in the **Acct** box, the nickname of the first general bank account.
2. Leave the **Che/Rec#** and **G/L Account** boxes blank.
3. Type the **Start Date** for the first day for the month being reconciled.
4. Type the **End Date** box for the last day for the month being reconciled.
5. Click **OK** to produce the bank journal.
6. Repeat this procedure for each trust bank account.

### Producing Client Trust Listings

**Reports > Journal > Trust Listing**

Create a Client Trust Listing for the month to be closed

1. Leave the **Matter, Client, and Resp Lawyer** boxes blank.
2. Type the **End Date** for the last day for the month being reconciled.
3. Leave the **Acct** box blank to attain a complete Firm Totals by Accounts summary.
4. Click **OK** to produce the Client Trust Listing.

**Tip:** Although only the Firm Totals by Account is displayed for the Client Trust Listing, it is recommended to print a full Client Trust Ledger each month and print a separate report for each account.

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### Reconciling the trust bank accounts

<table>
<thead>
<tr>
<th>Acct. No.</th>
<th>Description</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1100</td>
<td>Trust Bank Acct 1</td>
<td>6,575.00</td>
<td>0.00</td>
<td>6,575.00</td>
</tr>
<tr>
<td>1102</td>
<td>Trust Bank Acct 2</td>
<td>3,300.00</td>
<td>0.00</td>
<td>3,300.00</td>
</tr>
<tr>
<td>2100</td>
<td>Trust Funds Owed</td>
<td>11,875.00</td>
<td>0.00</td>
<td>11,875.00</td>
</tr>
</tbody>
</table>

---

**General Ledger Accounts**

- 1100 - Trust Bank Acct 1
- 1102 - Trust Bank Acct 3
- 2100 - Trust Funds Owed
Closing the Month for Accrual Accounting

Reconciling Accounts Payable

Reports > Accounts Payable > Payable Listing

Accounts Payable that are outstanding at month end can be reconciled by comparing the Outstanding column of the Payable Listing report to General Liabilities (2000).

1. Leave the Vendor and Invoice boxes blank.
2. Leave the Invoice Start Date at the default 1/1/82
3. Type the Invoice End Date for the last day of the month to be reconciled.
4. Leave the Due Date Start Date and Due Date End Date boxes at the defaults of 1/1/82 and 12/31/2199 respectively.
5. Select Unpaid in the Include Invoices area.
6. Select Both in the Include Vendors section.
7. Select in the Payments Up To box, the date for the last day of the month to be reconciled.
8. Click OK.

Note: Consult with your accountant to determine if a Detailed, or Firm Totals Only report is required.

Reconciling GST

Reports > Journal > Goods and Services Tax

For firms that charge GST, the General Reconciliation Balance in the Firm Summary of the GST report should reconcile with GST Payable (2400).

1. Type the Start Date for the first day for the month being reconciled.
2. Type the End Date for the last day for the month being reconciled.
3. Click OK to produce the GST Journal.

Tip: To comply with Canada Customs and Revenue Agency regulations, use this report during month end procedures. You are required to produce a printed copy of GST billed, paid, and any GST adjustments. The values in the summary correspond to the box numbers on the GST remittance form.
Reconciling GST

Reconciling Sales Tax

Reports > Journal > Sales Tax

The Sales Tax Journal reconciles to Sales Tax Payable (2450) for the current period summary only. You may want to reconcile it for each month, or only at the end of each remittance period.

Only the Period Totals are reconcilable on the Sales Tax Journal. Since the Sales Tax Journal does not include remittances cheques, where Sales Tax Payable (2450) does, these two components cannot reconcile except under the following conditions:

- The remittance cheque for the previous period has been already created and posted to the Sales Tax Payable account.
- There is no unpaid balance carried over from the previous period.
- The Sales Tax Journal is run for the entire current remittance period instead and not for a single month.

The key to reconciling the Sales Tax Journal summary to Sales Tax Payable (2450) is that the journal summary begins with a null opening balance. The Sales Tax Journal does not have a Running Balance column as found on the GST Journal. Therefore, if Sales tax remittances are not up to date, the two items cannot reconcile.

1. Type the **Start Date** for the first day for the month being reconciled.
2. Type the **End Date** for the last day for the month being reconciled.

   **Tip:** If you enter the first day of the month to be reconciled for the Sales Tax Journal, then the opening balance of the Sales Tax Payable account (2450) must be deducted from the closing balance in order to reconcile the g/l with the Sales tax Journal.
3. Select **Both** in the **Report** area.
4. Click **OK**.
Performing End of Month

It is not mandatory to perform month end immediately after the completion of the calendar month. PCLaw™ allows up to 12 months to be open at any time before prompting the user to close a month. However, closing a month in a timely fashion serves a number of purposes.

- Errors are promptly identified and corrected.
- The reconciliation process becomes more manageable. Waiting until year-end to reconcile the bank accounts and journals may present an overwhelming task.
- You are prevented from making entries in periods that have already been reconciled.
- Entries that have exceeded their allowable retention periods can be purged. This, in turn, helps to limit the amount of disk space used by PCLaw™.

Preparing for End of Month

When performing End of Month, refer to the following guidelines for the sequence of events.

1. Perform the bank reconciliation for each account.
2. Print the following PCLaw™ reports for the month.
   - General Bank Journal (for each general bank account)
   - Trust Bank Journal (for each trust bank account)
   - Billing (Fees) Journal
   - Write Up/Down Journal
   - Client Costs Journal
   - Client Trust Listing
   - Client Summary (detailed)
   - General Journal
   - Receivables by Client.
For firms using Accounts Payable, the following reports should also be printed:

- Purchases Journal
- Payment Listing
- Payable Listing.

For firms collecting GST and sales tax, also print the following report:

- Goods and Services Tax Journal
- Sales Tax Journal

For Ontario and Newfoundland firms, include:

- Transaction Levy report

**Tip:** Use the report Group EOM that is provided with PCLaw™ to print these reports each month. Goods and Services Tax Journal and Sales Tax Journal are not included in the EOM report group, so if required they will need to be added.

3. Print the following financial statements:

- General Ledger
- Trial Balance
- Income Statement
- Balance Sheet.

**Processing End of Month**

**G/L > End of Month**

Users can remain in PCLaw™ while End of Month is being performed, providing Purge Old Entries is not selected.

**The End of Month window**

1. Confirm in the **Close Month of** box, the correct month is displayed.

2. Check **Purge Old Entries** to remove non-matter related entries that exceed their allowable retention period of two years.

**Note:** Client Ledger entries are not purged when Purge Old Entries are selected. Client Ledger entries are kept until that matter is archived or purged.

3. Click **OK** to proceed to a confirmation prompt:

This prompt displays only if Purge Old Entries is checked.
4. Click **Yes** to proceed to a backup confirmation prompt.

This prompt displays only if Perform Data Copy > Ask before Purging Old Entries is checked on the Other tab of System Settings and if Purge Old Entries is checked when performing end of month.

5. Select one of the following:
   - Click **Yes** to create a backup copy. Follow the backup prompts. When the backup is complete, proceed to the end of month confirmation prompt.
   - Click **No** to forego the backup copy and proceed to the end of month confirmation prompt.

6. Click **Yes** to close the month.

7. Close and reopen PCLaw™ for the changes to take effect.
## Appendix 1: Month End Reconciliation Form

For month ending ______________

<table>
<thead>
<tr>
<th>A/R</th>
<th>Journal</th>
<th>G/L</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client Summary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A/R</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Client Ledger</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A/R</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Billing (Fees)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total O/S</td>
<td>= 1200</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Disb</th>
<th>Journal</th>
<th>G/L</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client Summary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unbd Disb</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Client Summary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retainers</td>
<td>= 1210</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fees</th>
<th>Journal</th>
<th>G/L</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billing (Fees)</td>
<td>Lawyer 1</td>
<td>Closing</td>
</tr>
<tr>
<td>Write Up/Down</td>
<td>Lawyer 1</td>
<td>Opening</td>
</tr>
<tr>
<td>= 4000,1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fees</th>
<th>Journal</th>
<th>G/L</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billing (Fees)</td>
<td>Lawyer 2</td>
<td>Closing</td>
</tr>
<tr>
<td>Write Up/Down</td>
<td>Lawyer 2</td>
<td>Opening</td>
</tr>
<tr>
<td>= 4000,2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
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<th>Journal</th>
<th>G/L</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Bank Journal</td>
<td>Acct # 1</td>
<td>= 1000</td>
</tr>
<tr>
<td></td>
<td>Acct # 2</td>
<td>= 1001</td>
</tr>
<tr>
<td></td>
<td>Acct # 3</td>
<td>= 1002</td>
</tr>
<tr>
<td></td>
<td>Acct # 4</td>
<td>= 1003</td>
</tr>
<tr>
<td></td>
<td>Acct # 5</td>
<td>= 1004</td>
</tr>
<tr>
<td></td>
<td>Acct # 99</td>
<td>= 1098</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Trust Bank</th>
<th>Journal</th>
<th>G/L</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust Bank Journal</td>
<td>Acct # 1</td>
<td>= 1100</td>
</tr>
<tr>
<td></td>
<td>Acct # 2</td>
<td>= 1101</td>
</tr>
<tr>
<td></td>
<td>Acct # 3</td>
<td>= 1102</td>
</tr>
<tr>
<td></td>
<td>Acct # 4</td>
<td>= 1103</td>
</tr>
<tr>
<td></td>
<td>Acct # 5</td>
<td>= 1104</td>
</tr>
<tr>
<td>Client Trust List</td>
<td>All</td>
<td>= 2100</td>
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</table>

<table>
<thead>
<tr>
<th>A/P</th>
<th>Payable Listing</th>
<th>= 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>GST</td>
<td>GST Journal</td>
<td>= 2400</td>
</tr>
<tr>
<td>PST</td>
<td>Sales Tax Journal</td>
<td>= 2450</td>
</tr>
</tbody>
</table>