

The Hidden Cost of Using QuickBooks for Law Firms





Building your law firm accounting around QuickBooks? You may be jeopardizing your practice.

Scalable legal accounting processes are vital to running a successful practice, but you need more than a diligent accounting team and robust software.

You need software tools that support efficient processes and compliance with accounting rules. But not all software is created equal when it comes to legal accounting.

General accounting software, like QuickBooks, leaves out important features and safeguards for law firms. Without them, your law firm may end up losing time, money, and reputation.





Still using general accounting software? You're not the only one.

QuickBooks is one of the most popular accounting software in the world, and for good reason. It offers flexible features and can scale to meet the needs of businesses, no matter their size or industry—unless you're talking about law firms.

That's because law firms aren't like most businesses.

Industry-agnostic tools like QuickBooks put law firms at risk of non-compliance when it comes to:

- Managing ledgers specific to each matter and trust account
- Overdrafting a matter or client account
- Accessing the required reports for trust accounting
- Maintaining minimum evergreen retainer balances





And while many law firms do use QuickBooks, QuickBooks increases the pressure on law firms to double-check their accounting work. That's because QuickBooks doesn't offer built-in compliance safeguards.

As a result, firms must devote more energy to building (and adhering to) processes that ensure compliance, and less time on client work or growing their practice.

Improperly managed matter ledgers

The [American Bar Association](#) has strict rules for the way that law firms can handle trust accounting and ledgers. Failure to comply can result in fines or disbarment.

Even if a firm is not penalized, it can still lose valuable time making its case and showing proof of compliance within its ledger.





Increased risks of overdrafts

Preventing overdrafts is vital for law firms, but QuickBooks doesn't offer protection or reminders to keep a law firm from accidentally withdrawing more money than is available in certain accounts.

You could inadvertently risk overdrawing:

- Trust accounts
- Client accounts
- Matter-specific accounts

And overdrafting accounts—especially trust accounts—can not only cause issues with the ABA, but it can also damage client relationships.





Complex workflows for retainers and reporting

If you require your clients to maintain a minimum retainer balance, you'll need capabilities that allow you to bill for evergreen retainers. With QuickBooks, this is a manual process.

You'll have to do the calculations yourself and then request that clients add more money to their retainer balance by:

- Creating an extra line on the bill for an accounts receivable
- Setting up an estimate form that looks like a request for a retainer

Law firms can access trust reports, but with QuickBooks, this requires a multi-step process. On the other hand, this function is a built-in feature for [legal-specific accounting software](#) like CosmoLex.



The cost of financial inaccuracies

General accounting software requires more workarounds to carry out normal tasks for law firms. As a result, there is an increased risk of human error that can cause financial inaccuracies.

Some of the pain points include unlimited flexibility, challenges in allocating revenue, and complicated fee distributions and write-offs.

Unlimited flexibility

Over 26.5 million businesses rely on QuickBooks for accounting processes, according to [BusinessDIT](#).

Since it is so widely used, the software comes with flexibility you won't find in legal-specific software.

While flexibility may sound like a good thing, it can open your firm up to mistakes like:

- Inputting the wrong expenses into the wrong ledger
- Failing to account for legal-specific tax situations
- Categorizing expenses incorrectly





Challenges when allocating revenue

Law firms using QuickBooks can only make proportional payment allocations. When a client makes a partial payment on QuickBooks, the software automatically distributes the funds proportionally across all line items on a bill.

In circumstances where firms are carrying expenses on the balance sheet, they can't show the expenses as being paid before fees are paid without extra work.

Integrations with QuickBooks can create extra problems in this area. Firms may find that their proportional distribution in QuickBooks creates reports that differ from their integrated billing system.



Complications with fee distributions and write-offs

Some law firms may choose to write off one attorney's time but not another's. QuickBooks doesn't allow for these options because of its proportional distribution for all bills.

This means that write-offs will be applied proportionately, too. There are ways around this, but they can be time-consuming and complex.

Fee distributions also impact the types of reporting you need. Legal-specific software like CosmoLex does a better job of tracking fees and writing off distributions while still giving firms the reports they need.



Complex QuickBooks workarounds cost law firms time

Law firms only get paid for billable hours. This means that every minute spent on accounting and billing processes is taking away from time that could be spent on billable work.

Unfortunately, companies with separate billing and accounting software can't avoid the non-billable hours that come with maintaining reports. Having two different systems creates more complex processes and requires manual entry to keep both systems on the same page.

The biggest challenge that costs law firms their time is double entry for separate billing and accounting systems.

Double entry points to synchronize separate billing & accounting systems

Law firms using separate billing and accounting systems can easily end up with double entry points. If they input costs or revenue into one system, they must do the same to the other.

This practice leaves room for errors in:

- Hard costs
- Invoice payments
- Retainer management
- Soft costs
- And more

QuickBooks users will have to verify that all of the data in their accounting software lines up with their preferred billing tool. There is always a risk of human or computer errors with synchronization. The double-check process adds to the time spent on non-billable hours.

Don't let QuickBooks hinder your law firm's success

QuickBooks may be a powerful general accounting software, but it lacks the key tools and capabilities your law firm needs to thrive.

CosmoLex is a legal-specific software that can address all of those challenges head-on to save you time, money, and help you maintain compliance with ease.

CosmoLex can help you say goodbye to time spent on legal accounting pain points with features built for compliance:

These compliance-friendly features include:

- **Built-in trust accounting.** CosmoLex will do all of your trust bookkeeping—automatically, in the background, and in real time.
- **Audit-ready reconciliations** with error-proof software.
- **Comprehensive trust reports** so staying on top of your accounting and avoiding compliance issues is easy and automatic.

Ready to see how legal accounting software can transform your law firm?

[Schedule a demo](#) or [sign up for a free trial](#) with CosmoLex today.