

TAB 9

Understanding your Financial Position

Leanne LaRose
Kriens-LaRose, LLP

Practice Workshop: Opening your Law Office



The Law Society of
Upper Canada | Barreau
du Haut-Canada

Continuing Legal Education

BALANCE SHEET

AS AT DECEMBER 31, 20XX

	A	B	C	D
	\$	\$	\$	\$
ASSETS				
CURRENT				
Cash	-	5,000	6,000	-
Cash held in trust	7,000	40,000	14,000	16,000
Accounts receivable	18,000	1,000	4,000	-
Unbilled disbursements	12,000	5,000	200	-
	<u>37,000</u>	<u>51,000</u>	<u>24,200</u>	<u>16,000</u>
PROPERTY, PLANT & EQUIPMENT				
Office furniture	16,000	3,000	5,000	500
Computer equipment	24,000	4,000	7,000	500
Leasehold improvements	10,000	-	-	-
	<u>50,000</u>	<u>7,000</u>	<u>12,000</u>	<u>1,000</u>
Less: accumulated amortization	<u>32,000</u>	<u>2,500</u>	<u>10,000</u>	<u>900</u>
	<u>18,000</u>	<u>4,500</u>	<u>2,000</u>	<u>100</u>
	<u>55,000</u>	<u>55,500</u>	<u>26,200</u>	<u>16,100</u>
LIABILITIES				
CURRENT				
Bank indebtedness	51,000	-	4,000	8,000
Accounts payable and accrued liabilities	62,000	1,000	6,000	4,000
Clients funds held in trust	7,000	40,000	14,000	16,000
Current portion of long term debt	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>126,000</u>	<u>41,000</u>	<u>24,000</u>	<u>28,000</u>
LONG TERM DEBT				
Bank term loan at prime plus 1%, due March, 20XX	<u>22,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>148,000</u>	<u>41,000</u>	<u>24,000</u>	<u>28,000</u>
PRACTITIONER'S EQUITY				
Practitioner's equity (deficit)	<u>(93,000)</u>	<u>14,500</u>	<u>2,200</u>	<u>(11,900)</u>
	<u>55,000</u>	<u>55,500</u>	<u>26,200</u>	<u>16,100</u>

INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 20XX

	A	B	C	D
	\$	\$	\$	\$
REVENUE				
Fees earned	323,000	188,000	225,000	122,000
EXPENSES				
Secretarial & outside services	60,000	100	14,000	-
Rent and occupancy costs	28,000	18,000	13,000	15,000
Advertising and promotion	12,000	1,300	5,000	3,000
Telephone	11,000	2,000	10,000	2,000
Professional dues and memberships	6,500	1,100	2,400	2,000
Insurance	7,500	2,000	3,000	2,000
Office and general	11,000	3,000	6,000	4,000
Bank charges and interest	4,000	-	1,200	1,000
Professional fees	1,350	1,200	1,200	1,200
Automobile and travel	11,000	5,000	12,000	14,000
Equipment lease	1,300	-	-	-
Bookkeeping	2,000	500	3,000	1,000
Bad debts	-	1,000	8,000	2,000
Amortization	6,000	1,300	1,000	50
	161,650	36,500	79,800	47,250
NET INCOME FOR THE YEAR	161,350	151,500	145,200	74,750
Practitioner's equity (deficit), beginning of year	(83,000)	31,000	(3,000)	(28,000)
	78,350	182,500	142,200	46,750
Deduct: Drawings	(171,350)	(168,000)	(140,000)	(58,650)
Practitioner's equity (deficit) end of year	(93,000)	14,500	2,200	(11,900)

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Balance Sheet Comments

- Unbilled disbursements and Work in progress
 - should you show this on your statements
 - does it affect financing
- Property, plant and equipment
 - Financing
- Line of credit versus long term debt
 - When is each appropriate
- Practitioner's equity (deficit)
 - Banks perception
 - CCRA's perception

Income Statement Comments

- Fees Earned
 - Net of client disbursements
 - Indicative of productivity (ie) WIP not included
- Expenses
 - What is an appropriate percentage of expenses to revenue
 - Are your expenses reasonable
 - Income tax liability not reflected on unincorporated statements
- Drawings
 - Are you drawing more than you are earning?
 - What does the bank think?