

Law Office Management Chapter 7

Chapter 7

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Chapter 7

Timekeeping

OBJECTIVES

After completion of this chapter, you should be able to:

- Define annual billable hours requirements.
- Explain what constitutes nonbillable time.
- Explain the difference between creditable and noncreditable nonbillable hours.
- Calculate a billing in tenths of an hour.
- Complete a time sheet for billable and nonbillable time.
- Prepare management reports based on timekeeping records.
- Describe work on time sheets.
- Explain how coding is used on time sheets.
- Describe the various methods of timekeeping.

Tab Text

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- Prepare management reports based on timekeeping records.
 - Describe work on time sheets.
 - Explain how coding is used on time sheets.
 - Describe the various methods of timekeeping.
 - Discuss timekeeping ethics.
 - Describe the various features of timekeeping software.
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Key Terms



The screenshot shows a software interface with a sidebar on the left containing several navigation buttons: 'Key Terms', 'Internet Projects', 'Answers to Chapter Revie...', 'Examples for Discussion', 'Possible Answers to Assignments', 'Handouts', and 'Quiz'. The 'Key Terms' button is selected. The main content area is titled 'Key Terms' and contains a list of six items:

1. **Add-on:** A software application that can be purchased to enhance the features of another software application; also called a plug-in.
2. **Annual billable hours requirement:** The number of hours a timekeeper is required to bill in a year.
3. **Application:** Software that has a specific function, such as word processing, spreadsheet, or database.
4. **Billable hour:** Sixty minutes of time that is billed to a client.
5. **Ceiling:** The maximum number of hours that may be spent on nonbillable projects.
6. **Creditable nonbillable hours:** The time that is applied to an annual billable hours requirement.

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7. **Drop-down list:** A list of activities that are listed in an area of the screen that is visible if the list is chosen.

8. **Icon:** A picture that symbolizes software application or function of an application.

9. **Noncreditable nonbillable hours:** The time that is not applied to an annual billable hours requirement.

10. **Pad:** To expand in a fraudulent manner.

11. **Quota:** An assigned goal.

Internet Projects

Tab Text

Not applicable this chapter.

Answers to Chapter Review Questions

Tab Text

Following are answers to the Chapter Review Questions found in the text.

1. An annual billable hours requirement is the number of hours a timekeeper must bill during a year (p. 242).
 2. Included in creditable nonbillable hours are serving on law firm committees, pro bono work, management functions, administrative functions, and training (p. 243).
 3. The difference between nonbillable creditable hours and nonbillable noncreditable hours is that nonbillable noncreditable hours are not applied to the annual billable hours requirement and the nonbillable creditable hours are included in the annual billable hours requirement (pp. 243-244).
 4. Management uses time records for the following reasons:
 - A. Billing clients;
 - B. Compensating hourly employees;
 - C. Calculating employee productivity;
 - D. Planning;
 - E. Monitoring work in progress;
 - F. Projecting profitability; and
 - G. Forecasting income (p. 247).
 5. Management uses time records to establish flat fees by calculating the amount of time it takes to complete a certain type of case and calculating the average of all the cases. The attorney's hourly rate is then applied to the average amount of time to arrive at a set fee (p. 249).
 6. Management uses time records to determine an employee's productivity by comparing the records with the employee's quota to meet his or her annual billable hours requirement (p. 248).
 7. Firms keep time records on contingency cases to determine if the case was profitable and in the event they must substantiate their time on a
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case. Time records also monitor work in progress (pp. 250-251).

8. Corporate legal departments keep time records for management reports; to bill their "clients"; to prepare budgets; and to recover attorneys' fees (p. 254).

9. Government legal departments keep time records for preparing budgets, preparing management reports, and providing the government with statistics (p. 255).

10. The following six timekeeping activities are unethical:

- A. Billing clients for work not performed;
 - B. Padding time sheets;
 - C. Billing a client for time spent on personal matters;
 - D. Double billing;
 - E. Billing multiple clients for one activity; and
 - F. Applying an attorney's hourly rate to the services of a paralegal (pp. 259-260).
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Examples for Discussion

Tab Text

1. The Lost File

A. Since it is the policy of the law firm not to credit lost time looking for a file, Margaret should document this time on her nonbillable creditable time sheet under the administrative category.

B. Margaret should protest an attorney's instruction to bill the client for the time spent searching for a file and report the attorney's instructions to the office manager. If the office manager is supportive of the attorney's instruction, Margaret should look for another job.

C. The firm administrator should allow the time spent searching for a file to be a nonbillable creditable item.

2. Overproductive Coworker

A. Bill should report his suspicions to the office manager after discussing them with John. John may not be interrupted by nonbillable noncreditable circumstances.

B. If it has been determined that John is padding his time sheets, the office manager should discuss it with John and, if appropriate, fire him.

3. The Opinion Letter

A. Gay should immediately discuss the matter with Don and the office administrator and expect that the bill will be adjusted to reflect the legal assistant's hourly rate.

B. If the problem was not resolved, Gay should find another job and report Don's violation to an ethics board.

C. The administrator should take steps to rebill the client and reprimand Don. If this was not Don's first offense, the administrator should fire him.

Possible Answers to Assignments

Tab Text

Following are possible answers to Assignments provided in the text. The responses below are a guide to what an instructor would look for within the student's response. Some assignments are based solely on individual experience and/or opinion, and a general response for such questions is not provided.

1.

a. A discrepancy exists on this time sheet of .6 hour because of the minimum charge policy. It is impossible to bill exact minutes when using tenths of an hour.

b. Refer to Exhibit 7-1 on page 242. This paralegal's quota for the day is 6.5 hours. She has exceeded her hours by .4 hours.

c. This paralegal has exceeded her allowance of nonbillable time by 2.5 hours in the creditable and noncreditable areas.

2.

a & b. The antitrust department was profitable. The litigation department was profitable in only two quarters. The real estate department was profitable in three quarters. The bankruptcy department was very profitable in all four quarters. The tax department was very unprofitable in all four quarters.

c. The net results are that in three of the four quarters, the firm was not profitable. Even though most of the departments were profitable, the poor performance of the tax department brought the totals down and affected the overall performance of the firm.

d. To improve the firm's financial status, the tax department should be eliminated. Management

may also determine that additional staff is needed in the bankruptcy department.

3. Have the students turn in the time sheets and look for effective descriptions and coding. You may ask the students to keep time sheets for the rest of the class and have them turn them in at the end of the course, or with their billing assignment as explained in the next chapter.

4. Individual student response.

5. Individual student response.

6. Individual student response.

Handouts

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Key Terms

Internet Projects

Answers to Chapter Revie...

Examples for Discussion

Possible Answers to Assignments

Handouts

Quiz

Handouts

[Click here to download the Time Increments Guide.](#)

[Click here to download an example of a Time Sheet.](#)

Tab Text

[Click here to download the Time Increments Guide](#)

[Click here to download an example of a Time Sheet](#)

Quiz

Tab Text

[Click here to take the Chapter Quiz.](#)