

## Expenses and Disbursements: what to do with them

### Guide for iLaw Case Management and Accounts

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This guide covers how you should record and post disbursements and expenses accurately in iLaw Case Management and iLaw Accounts.

#### 1. Recording Disbursements and Expenses

- *True disbursements v Expenses*

#### 2. Allocating and posting Expense claims for Fee Earners in iLaw Accounts

- *From Petty cash Per Expense*
- *Fee Earners are paid for all expenses for a month/ period*

#### 3. Allocating Disbursements to experts for services provided on a matter

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## 1. Recording Disbursements and Expenses

Disbursements and Expenses are recorded in the 'Time Records' screen or in the 'Invoices Wizard' in **iLaw Accounts**. When disbursements are recorded in 'Time Records' you will need to determine whether they are subject to or not subject to vat. If you are entering travel disbursements such as train or bus fares these are always recorded as disbursements subject to vat. If you are recording a disbursement for a service carried out by a doctor or some other professional then you will need to find out whether they are Vat registered. If they are either vat exempt or vat zero rated then the disbursement should be recorded as not subject to vat.

Each disbursement (or expense) recorded in the 'Time Records' needs to be allocated in the 'Disbursement Allocation' screen in iLaw Accounts. If you enter a disbursement or expense using the Invoices Wizard screen in iLaw Accounts then you can make the necessary selections for allocation therefore the posting will not show in the disbursement allocation screen.

### *True Disbursements –v- Expenses*

Before billing files, Disbursements that have been recorded subject to Vat will be classed as an expense. You need to determine whether it should be classed as a True Disbursement.

So what is a True Disbursement and what is an Expense?

To put it as simply as possible:

True Disbursements involve a third party who is independent of your firm. This includes doctors, psychiatrists, counsel and interpreters. They will issue your firm with an invoice on which they will charge Vat if they are Vat registered.

An Expense is incurred internally by members of your firm in carrying out your clients instructions. They attract Vat at the point of billing as part of your overall service charge.

So the following rules have been applied in iLaw following the Vat rate change:

- i. a true disbursement covered by an invoice raised before 4th January 2011 will carry vat at 17.5%. Even though you include it in a bill on or after 4th January 2011, it must be at 17.5%, even though the rest of the bill will be calculated at 20%
- ii. Everything else, that is a true disbursement invoice on or after the 4th January 2011 and all expenses, irrespective of when they were incurred, will be billed at 20%.

## Telling iLaw that the Disbursement is a True Disbursement

What is very important to note is iLaw doesn't know the difference between a true disbursement and an expense from the information your fee earners give it in Time Records so to ensure compliance with the Vat regulations, you will need to supply that information in the Billing screens. To do this, use the TD? checkbox that appears in the last column of the Details of Chargeable Time grid in all billing screens.

## 2. Allocating and posting Expense claims for Fee Earners in iLaw Accounts

Expenses are generally mileage or travel claims paid by fee earners representing clients at court or other venues. To correctly pay fee earners the money they incur you need to determine what your process will be and you will need to ask this question.

Will the fee earners be paid:

Option i. From Petty Cash each time an expense has been paid?

Option ii. For all expenses in a month/ period?

Setup.

What you will need to set up before allocating and paying expenses.

### a. Nominal Codes

Determine the nominal code or codes that will have expense postings made

You may be happy to keep 7400 Disbursements as the nominal or you may want to keep certain expenses separate by creating a nominal like 7401 Travel Fares.

### b. Non Clients

Each Fee Earner should be setup as a Non Client. From the iLaw Accounts Menu select 'Non-Clients' and then the 'New Record' link on the navigation bar.

1. Enter their name
2. Select the nominal code that will be where expenses are posted to
3. Creation date
4. Vat Rate will be Vat exempt. This will not affect the wages wizard.
- 5 Check the 'Is a Supplier?' box.

### **Option i. From Petty cash Per Expense**

i.1. Allocate the expense with 'Petty Cash'. Select Expense and Principal

i.2. Select Petty Cash, Bank Account if you're drawing a cheque, from the Which account is payment from? dropdown.

i.3. Which Nominal reflects the type of expense? Select the nominal created for all fee earner expense postings. Check the date of the expense is the same as the one recorded.

i.4. Click on the Allocate button

i.5. Go to the Payments Wizard screen and select Pay out with Payments Wizard option 5.1.1

i.6. Office Bank Account is likely to be Petty Cash unless a cheque or online transaction is made in which case select Bank Account.

i.7. Payment to. Select the Fee Earner Non Client. The Nominal Code will automatically select. Check that this is the nominal where fee earner expense claims are being posted to.

i.8. Amount. Post the total amount of the disbursement. There should be no Vat element showing. If there is, the Vat rate for the fee earner needs to be set to Vat Exempt.

i.9. Payment Date is the date when payment is made to the Fee Earner. It doesn't have to be the date the expense was incurred although it may be if the fee earner is claiming money back after the attendance.

*Option ii. Fee Earners are paid for all expenses for a month/ period*

When expenses are been created in Time Records you will need to allocate it in the disbursement allocation screen. The Invoices Wizard enables you to create and allocate expenses in the same screen.

ii.1. Allocate the Disbursement Allocation.

Expenses and disbursements can be allocated at any time once they have been created. An expense like mileage or travel costs should be allocated as an expense and incurred acting as a 'Principal.'

ii.2. Allocate the expense with ~ NO ACCOUNT ~. With this option set you don't need to select any more options. Check that the Invoice date is the same as the date when the expense was incurred before clicking on the Allocate button.

Allocating expenses as ~ NO ACCOUNT ~ does not place a full entry on the client ledger. You will see an entry in grey show on the client ledger when the final claim for which the expense is a part of which indicates

ii.3. Post the 'Invoice' total for all expenses payable to the fee earner

For each expense allocated to a fee earner that will be paid in one sum at the end of the month you must raise an invoice. Open the Invoices Wizard screen. We need to raise the invoice as an invoice with the Fee Earner selected as a general supplier. Use option 3 in the Invoices Wizard. Post an invoice received from a general supplier. Select the Fee Earner in the 'From which supplier' dropdown. The nominal code chosen for the fee earner will show in the nominal code dropdown. You can alter this if you need to. It is important that you make sure the invoice date is the same as the expense.

Enter the Net amount of Invoice. The vat amount should be 0.00. An invoice description and a reference entered will be really useful for detail to show in the ledger screen. Click on *Add* when you've finished.

ii.4. To make this payment use the Payments Wizard, Option 5 Pay out office monies and then option 3, Against a suppliers invoice.

Pay from which account. Select the Bank Account which the monies are being paid from.

In respect of who. From this dropdown select the Fee Earner.

The expenses entered will show in the grid below. In order to pay more than one of the invoices raised click on 'Start Batch.' You can now select more than one of the invoice by clicking on the Pay checkbox. As each one is checked you will see the payment amount recalculate.

### 3. Allocating Disbursements to experts for services provided on a matter

Before you allocate a disbursement that has been entered for an expert or other professional carrying out services on a matter you will need to enter them as a non-client.

#### *Create a Non Client*

In the non client screen, add the expert and select the nominal which best reflects the service they provide. It doesn't matter if another nominal should be used for a certain posting because you can change the default selection in the invoices and payments screens.

#### *Select the Vat rate*

If they professional is vat registered then select Standard Vat rate. If they are not vat registered then make sure you select either Vat Exempt (which means that there will be no vat posting for transactions and there will be no inclusion in the Vat return) or zero vat rate which means there will be a 0.00 posting on the vat return. It is also important to check the 'Is a Supplier' box otherwise they will not appear in Payments screens.

#### *Allocate the Disbursement*

In the disbursement allocation screen select the file the disbursement is recorded on from the dropdown at the top of the screen. All outstanding disbursements and expenses will show in the grid. Click on the checkbox for the disbursement you wish to allocate.

In the Payment Details section, click on the Disbursement checkbox and then select Principal.

Select the expert or non-client from the dropdown, Who is the invoice from?

In the dropdown below you can click on the Use default link to show the nominal selected for the non-client in non-client setup. Check that the Vat Account 2202 is selected. If the non-client entry is vat exempt or zero rated then there will be no vat posting.

The invoice date should be the date on the invoice provided for the services done.

Click on the Allocate button. This has effectively raised the invoice that you have received from the expert. The thing to note here is that you will still see the posting on the client ledger for the disbursement. When the final bill is raised the disbursements will be included in the final totals.

Pay out office monies, option 5, then option 2, against a suppliers invoice.

#### 4. Raising claims in Accounts and including expenses and disbursements

Alternative to posting claim monies from the iLaw billing screens you can use option 2 of the invoice wizard. When you do this however it is essential that any disbursements raised are included in the costs invoice otherwise they will stay separate to the claim and there will remain an outstanding amount on the client ledger.

Use option 2 in the Invoices Wizard, "Raise Office Invoice against a client".

After selecting the client who the claim is being raised against in the "Invoice To" dropdown, select the nominal code and enter the invoice date. Click on the checkbox "This Invoice represents an SMP claim" if you want to allocate SMP monies for the total. After this, click on the "Details" button.

In the next screen you can add the total of the claim in the grid provided. In the “Tools” menu on the navigation bar, click on “Add Disbursements”. This opens a further screen which lists expenses and disbursements added in the “Time Records” screen or by using options 4 and 5 of the Invoices Wizard. Check the “Use” box for the expenses or disbursements to be included with the claim totals then click “Back to Invoice”.

‘Including’ disbursements and expenses is essential to being able to make the payment and showing disbursements on the client ledger. If not included, then expenses and disbursements will remain as outstanding balances on the client ledger.