LAFAMS: Account Management System for Malaysian Small Legal Firms

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ABSTRACT
One of the vital components of a successful private legal practice is good account management. Legal firms have a unique business process and specific rules on how accounting records should be kept and recorded. At present, there are many software packages for legal account management systems such as the MyCase web-based legal practice management software and the QuickBooks legal accounting software. However, for small- and medium-size legal firms in Malaysia, the software designed for international use might not be suitable. The majority of local law firms are SMEs and most of the time, their account management is done by the lawyers themselves. With limited knowledge of accounting and business management, it is not a surprise that many legal practitioners face difficulties in managing their accounts. LAFAMS (Law Firm Account Management System) was developed to assist legal firms to manage their financial transactions, monitor their performance, record cash inflow and outflow and facilitate the auditing process. The system requires only the basic Windows operating system and is easy to operate. The report produced by LAFAMS should be sufficient for submission to the Bar Council as evidence of proper account-keeping by legal firms.

Keywords: Account management system, law firms, SMEs
INTRODUCTION
According to Ismail et al., (2014) and Kouser et al., (2011), SMEs have limited resources and little influence on the market compared to large companies. Their survival depends on their ability to take full advantage of the resources available and promptly find and adjust to a market niche (Zhang et al., 2009). Therefore, accurate decision-making is crucial to the success of these firms (Fadhil & Fadhil, 2010). Sian and Roberts (2009) suggested that managers in SMEs need to have effective financial management skills and must be efficient in information technology (IT) as a tool to assist them in making effective decisions.

Computers and software programmes are important business tools for SMEs as they can be used to reduce production and labour costs (Nguyen, 2009), innovate and facilitate niche marketing, increase productivity and effectiveness (Gullkvist, 2002), increase efficiency of internal business operations (Chatterjee et al., 2002; Tan, 2010), become more innovative and gain competitive advantage (Thong, 1999; Nguyen, 2009; Shabanesfahani & Tabrizi, 2012). Other benefits include connecting SMEs to external contacts such as related businesses, stakeholders and institutions and networking with other parties more easily and cheaply.

In Malaysia, the majority of legal firms can be categorised as SMEs and they have specific processes and rules regarding how accounting records should be kept and recorded. At present, there are many software packages for legal account management systems but most of them are expensive and cater mainly for the business processes of big legal firms. LAFAMS is a user-friendly account management software developed specifically for lawyers of small legal firms in Malaysia for the management of their financial transactions.

RESEARCH METHODOLOGY
LAFAMS is developed using Rapid Analogy Design (RAD) methodology. RAD integrates project management techniques, development techniques, users and tools to build quality application systems in a fixed time frame to deliver business value. It can eliminate the time constraint problem in order to develop a system faster. RAD has four main processes and requires less time to complete compared to the Waterfall Model approach. In general, RAD is a software development methodology that involves iterative development and the construction of prototypes. The prototype approach creates a demonstrable result, which allows for refining of the system based on the result. Refinement is based on feedback from the business, the eventual users of the system. Prototyping requires an open approach to development as well as an emphasis on relationship management and change management.

Fig. 1 shows RAD processes, where the result of each phase, often called an end product or deliverable, flows down to the next phase. This is a continuous phase where prototypes are rapidly developed until they fulfil the objectives and requirements of the system.
The first phase of the RAD is to understand the requirements of the system (analysis and quick design). It requires a high level or knowledgeable end-users to determine what the functions of the system should be. This should be a structured discussion of the business problems that need to be solved. This phase of the process includes deciding what programming languages and database need to be used.

PHP scripts and the MySQL database are used as the development tools to develop a prototype. PHP is a scripting language originally designed for producing dynamic web pages. It has evolved to include command-line interface capability and can be used in standalone graphical applications. PHP is a free software released under the PHP license and is widely used. It also includes the interface design that determines what the interfaces will look like and the data design i.e. what data will be required. In this phase, the software’s overall structure is defined. It is important to understand the requirements of the system before proceeding to prototype development.

The second phase is a repetition of the prototype development phase i.e. development, demonstrate, design. It includes creating a physical design for the database and mainly focuses on translation of the design into programming codes. A code to connect from programming language to MySQL Database Management System (DBMS) is created.

The third phase is testing the prototype to validate the LAFAMS business process. Usually, programmes are written as a series of individual modules and functionality. LAFAMS is tested by looking at the functions available in the system. Later, the flow of the system is tested to ensure that interfaces between modules work (integration testing). Next, the analysis report of the system is compiled. The next process involves enhancement and error correction of the prototype. This stage is repeated until the prototypes meet the research objectives. The last phase is deployment in the actual environment after all system functionalities and the database design have been validated.
THE MODULE
Legal firms are famous for the high volume of paperwork they must manage. Additionally, lawyers must keep track of their time to manage expenses, revenue and payroll, among other finance-related matters. These are challenging when there are multiple clients or the lawyers are working on contingency. Therefore, lawyers today face a great challenge in having to balance their law practice and manage their business.

The Legal Firm Account Management Software (LAFAMS) is an account management system specially designed for use in legal practice. This system is built based on the requirements of small- and medium-size law firms. Such legal firms appreciate the convenience and effectiveness of LAFAMS as this software takes into consideration the nature of legal business compared to general accounting software. Furthermore, it streamlines the lawyer’s workflow with a centralised database; hence, it helps to enhance firm efficiency and prevents lawyers from being buried under physical files. As LAFAMS focusses on small- and medium-size legal firms, this software organises all essential information of the legal firm in a simple integrated system.

LAFAMS requires only the basic Windows operating system to record financial transactions on daily basis. It comprises three main modules, which are the Client Profile Module, Client Account Module and Office Account Module. Documents such as vouchers, receipts, invoices, bank statements and client datasheets are the input for LAFAMS. This input is stored in databases and become sources for the three modules.

The first module is the Client Profile Module, which categorise the firm’s clients according to specific cases such as property procurement and accident cases. The module accesses information related to all the firm’s clients from a single point with comprehensive client profiling that includes multiple files and contacts, full transaction history and related documents. The database is important for preparation of clients’ registration files and warrants for the lawyer’s appointments.

The second module is the Client Account Module, which applies the cash book concept to record financial transactions related to client accounts. The module updates cash inflow and outflow from client transactions. The main output from this module are a summary of bank lists and client balances, client lists by bank balances and bank reconciliation statements. These reports are critical for the audit purposes.

The third module is the Office Account Module which was developed to manage the financial transactions of the legal firm’s operation. It records income and expenses from the services performed by the firm. Financial statements such as profit and loss and balance sheets are the output of this module. These statements are important for internal decision-making.
COMPARISON WITH GENERAL CANNED SOFTWARE

There is a variety of off-the-shelf software with general features in the market. Most of the systems offer the same applications for all practice areas. Although they are fine programmes, they focus on the purely financial areas; thus, they do not meet the special needs of attorneys and law firms. In contrast to them, LAFAMS focusses on the Client Module (Client Profile and Client Account), which is a unique feature for legal firms. Handling client accounts and office accounts in different modules enables the separate management of both accounts and this ensures greater accountability especially of client monies at any point of time. The Client Module also avoids the losing track of a client balance. Every transaction is documented, and so, the user may view detailed account balances and as well as the transaction history for every client. The Client Module in LAFAMS also can track multiple bank accounts and organise client information by matter or case. Therefore, adoption of this system helps to ensure movement of client monies, which fulfils audit requirements and guarantees better management of small- and medium-size legal firms.

COMPARISON WITH OTHER LEGAL SOFTWARE IN THE MARKET

There are a few software packages that are specially designed for legal account management but most of them are expensive and use complex features that are not relevant for small firms. In fact, some of these software packages have advanced accounting features simply for enhancement of the system. Such features are not necessary for small legal firms and would only end up trapping them into spending more than they need to.

<table>
<thead>
<tr>
<th>Software/Origin</th>
<th>Target</th>
<th>Features</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legalmaster</td>
<td>Small firms</td>
<td>✓ time accounting and billing, click here to see sample bills</td>
<td>USD695 per licence/user</td>
</tr>
<tr>
<td>USA</td>
<td></td>
<td>✓ open item (invoice based) accounts receivable</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>✓ retainer and trust accounting</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>✓ fee splitting</td>
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<td></td>
<td></td>
<td>✓ task billing</td>
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<td></td>
<td></td>
<td>✓ electronic billing</td>
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<td></td>
<td></td>
<td>✓ management reporting</td>
<td></td>
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<td></td>
<td></td>
<td>✓ revenue distribution by timekeeper, billing or originating attorney</td>
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<td></td>
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<td>✓ conflict of interest</td>
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<td></td>
<td></td>
<td>✓ calendaring</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>✓ case management</td>
<td></td>
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<tr>
<td></td>
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<td>✓ connections to over 30 other law office application software products</td>
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Table 1 (continue)

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<thead>
<tr>
<th>Software/Origin</th>
<th>Target</th>
<th>Features</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perfect Case</td>
<td>Small firms</td>
<td>✓ Accounts&lt;br&gt;✓ Case Manager&lt;br&gt;✓ Time recording/Billing&lt;br&gt;✓ Perfect Books Online&lt;br&gt;✓ Legal Aid</td>
<td>£1,129.13 per licence</td>
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<td>Manager</td>
<td>UK</td>
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<tr>
<td>Prosecutor II</td>
<td>Small firms</td>
<td>✓ Case Related&lt;br&gt;✓ Victim &amp; Witness&lt;br&gt;✓ Calenders&lt;br&gt;✓ Reports&lt;br&gt;✓ Administrator</td>
<td>£1,100 per licence</td>
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<tr>
<td>Docket Legal</td>
<td>Small firms</td>
<td>✓ Docket Enterprise&lt;br&gt;✓ Matter Link&lt;br&gt;✓ Assemble It&lt;br&gt;✓ Legal Bar&lt;br&gt;✓ Metareveal</td>
<td>USD495 per licence</td>
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<tr>
<td>Bar</td>
<td>USA</td>
<td></td>
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<tr>
<td>PracticeMaster</td>
<td>Solo Attorneys</td>
<td>✓ Billing&lt;br&gt;✓ PriceMaster&lt;br&gt;✓ Financial</td>
<td>USD600 per licence/user</td>
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<td>USA</td>
<td>Small firms</td>
<td></td>
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<tr>
<td>Spider Law</td>
<td>Solo Attorneys</td>
<td>✓ Client’s Account&lt;br&gt;✓ Office Account&lt;br&gt;✓ Office Advance&lt;br&gt;✓ Billing &amp; Debtors Control&lt;br&gt;✓ Time cost/Time slip&lt;br&gt;✓ Case KIV/Workflow&lt;br&gt;✓ Document Assembly &amp; Management&lt;br&gt;✓ FD Management&lt;br&gt;✓ Payroll&lt;br&gt;✓ Bill Generation Wizard&lt;br&gt;✓ RFID</td>
<td>RM188 per year</td>
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<tr>
<td>Malaysia</td>
<td>Small firms</td>
<td></td>
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<td>Malaysia</td>
<td>Large firms</td>
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<tr>
<td>Ecolaw</td>
<td>Small firms</td>
<td>✓ Account maintenance (Bank account, other account)&lt;br&gt;✓ Account Group&lt;br&gt;✓ Backup and Restore Database&lt;br&gt;✓ Client’s case file&lt;br&gt;✓ File category (Conveyancing, Litigation, Others)&lt;br&gt;✓ Foreign currency&lt;br&gt;✓ Import data from UBS Lawyer client account&lt;br&gt;✓ Lawyer’s detailc&lt;br&gt;✓ Transaction by project&lt;br&gt;✓ User level and user access</td>
<td>USD299 per licence</td>
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Table 1 shows that many vendors provide cloud computing software. Over time, the users end up paying more for a cloud solution than a desktop version as there are charges for maintaining the cloud solutions. LAFAMS, on the other hand, provides practical accounting management functions specifically for small law firms and would be inexpensive as it does not depend greatly on advanced IT solutions.

**LAFAMS SYSTEM**

The Legal Firm Account Management system requires the basic Windows operating system to financial transactions on a daily basis. The system consists of six tables that correspond with the system (refer to Fig. 2) and one database to keep track of records. The data in the database can be retrieved, deleted, added and updated by users while the administrator has authorisation to observe activities recorded on the system. In fact, this system specialises in accounting, and there are many preventive measures taken to ensure cash flow is calculated correctly.

![Fig. 2: Account management system.](image)

**System Architecture and Framework**

System framework is a platform for developing software applications that provide a foundation on which software developers can build programmes for a specific platform. The architecture of the software is a depiction of the system that aids in the understanding of how the system will behave. Fig. 3 shows the system framework with its input i.e. Client Module, Client Account Module and Office Account Module. The Client Module contains details and personal data of the client. The Client Account Module applies details of the client’s financial transactions while the Office Account Module manages the firm’s financial operations. The core of the system are the transaction details, which require the operation of both the office account and client account. Data are also analysed through the records presented in reports.
System Implementation

System implementation is the action that must follow any preliminary thinking in order for something to actually happen. It is the process of getting a software system operating properly, including installation, configuration, running, testing and making any necessary changes. Fig. 4 shows the homepage of LAFAMS that sets up the menu of the system.

Fig. 3: System framework.

Fig. 4: Homepage.
Fig. 5 shows the chart of the account system, which the user needs to set a code for an account name.

LAFAMS: ACCOUNT MANAGEMENT SYSTEM

Fig. 5: Account system.

Fig. 6 shows the opening balance menu, where each year’s transactions are displayed.

LAFAMS: ACCOUNT MANAGEMENT SYSTEM

Fig. 6: Opening balance menu.

Fig. 7 shows the transaction menu of Cashbook for a client.

LAFAMS: ACCOUNT MANAGEMENT SYSTEM

Fig. 7: Transaction menu.
Fig. 8 shows the report of a client ledger that provides details of cases of each client.

![Client Ledger Report](image1)

**Fig. 8: Report of client ledger.**

Fig. 9 shows the balance sheet, which displays all records of all transactions.

![Balance Sheet](image2)

**Fig. 9: Report of balance sheet.**

**CONCLUSION**

LAFAMS provides effective ways to maintain and manage business accounts of small law firms in Malaysia. It involves paperless maintenance, yet is able to record client information for easy retrieval, reducing paperwork, which is a bane of the traditional method of account-keeping. LAFAMS is also able to track payment records in terms of debit and credit payments as well as unpaid billing. Reports produced by LAFAMS are sufficient to...
meet the requirements of the Bar Council for evidence of proper account. With regards to system requirements, LAFAMS is able to retain existing hardware and network resources of a legal firm to safeguard its existing IT investment. The main setback of this system is that it needs to be upgraded if the firm’s work flow changes. For example, if the firm receives a new type of work it has never done before, it will need to contact the administrator to upgrade the system; this might incur an additional cost.

LAFAMS is obviously suitable for small- and medium-size law firms to manage their accounts while complying with the standard accounting requirements. This software is easy to use and is ideal for lawyers who have limited knowledge of accounting.

REFERENCES


