

Key Performance Indicator Calculations

1. Accounts receivable age:

$$\frac{(A/R \text{ amount}_{\text{Client A}} \times \text{days}_{\text{Client A}}) + (A/R \text{ amount}_{\text{Client B}} \times \text{days}_{\text{Client B}})}{\text{Total A/R amount}}$$

Example:

Client	Invoice date	Current date	A/R amount	Age of A/R
Client A	1 January	3 February	£100	34
Client B	1 January	15 March	£900	74
TOTAL			£1,000	
AVERAGE				70

2. Chargeable rate per hour:

$$\frac{\text{Amount invoiced}}{\text{Number of hours worked}}$$

3. Collections realisation rate:

$$\frac{\text{Amount collected}}{\text{Amount invoiced}}$$

4. Effective hourly rate:

$$\frac{\text{Amount collected}}{\text{Number of hours worked}}$$

5. Average inventory age:

$$\frac{(\text{Un-invoiced amount}_{\text{Client A}} \times \text{Elapsed days}_{\text{Client A}}) + (\text{Un-invoiced amount}_{\text{Client B}} \times \text{Elapsed days}_{\text{Client B}})}{\text{Total elapsed days}}$$

Example:

Client	Production date	Current date	Elapsed days	Un-invoiced amount
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Client A	1 January	3 February	34	£100
Client B	1 January	15 March	74	£900
TOTAL				£1,000
AVERAGE AGE			70	

6. Invoicing realisation rate:

$$\frac{\text{Amount invoiced}}{\text{Time recorded}}$$

7. Overhead cost per lawyer:

$$\frac{\text{All overhead costs}}{\text{Fee earners}}$$

8. Realisation rate:

$$\frac{\text{Amount collected}}{\text{Amount recorded as being worked x hourly rate}}$$

9. Salary cost per lawyer:

$$\frac{\text{Direct salary costs + direct benefits, etc. + notional salary costs}}{\text{Fee earners}}$$

10. Utilisation rate:

$$\frac{\text{Worked hours}}{\text{Available hours}}$$

NB: In the context of a full direct billing model, the numerator is typically the number of chargeable hours.