Rechargly

GUIDE FOR ACCOUNTING FIRMS

Xero Practice Manager Best Practice

Set XPM up once and keep it running.

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INTRODUCTION

Start here

Most firms use Xero Practice Manager (XPM) to log time and send a few invoices. The rest sits idle because nobody set it up around how the firm actually works.

This guide is for firms with up to five partners and roughly 5 to 25 staff already on XPM, especially in Australia and New Zealand. Xero now sells it as Xero Partner Hub with Practice Management. Most firms still call it XPM, so this guide does too. That is the bulk of the independent firms we work with. You do not need a consultant, a migration or a six-month plan. You need a few decisions made once, and a few habits kept every week.

It draws on what we see across the firms we work with, plus public guidance from people who know XPM well.

If you only have an hour

Do two things. Compare what you paid vendors last quarter with what you billed (chapter 4). Then list every job with WIP older than 60 days and decide whether to invoice it, write it off or explain it. Both are where unbilled revenue hides.

What you will have by the end

- Job states and owners that match how your firm works
- A billing day, a monthly WIP review and a way to bill client costs
- A 15-minute weekly check that one person owns
- Three numbers a partner can read in five minutes

There is no single way to run XPM

Every firm runs XPM differently. Goals, size and how the partners want to see the numbers all change the answer. A two-partner firm does not need the reporting a finance team in a 20-partner firm runs, and forcing it adds work without adding much.

So this guide takes one clear path for small firms. If you run a bigger firm, the basics still apply. You will just add more reporting and more structure on top.

Why XPM drifts

XPM is flexible, and that only helps if you tell it how your firm runs. Most firms do that once, during implementation, and then it drifts:

- Job states nobody updates
- Time entered days after the work
- WIP piling up on jobs that should have been billed
- Software costs that never reach the client's bill

None of this is because XPM is hard. It is because nobody owns it after go-live. The fix is a simple setup and a short routine, with one person responsible for each.

CHAPTER 1

Set XPM up once, simply

Timesheets, WIP, invoicing and reporting all sit on top of how you set XPM up. Fix the foundation once and the rest gets easier.

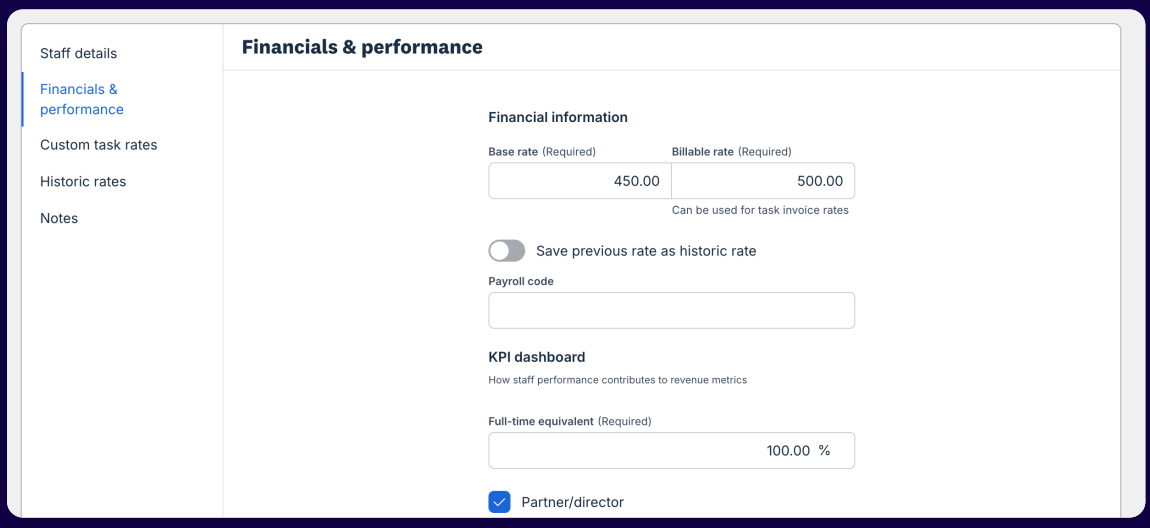


> "No matter what you choose to do in XPM, there is always a trade-off. Always."

Amy Holdsworth
Clarity Street

Get your team and billing rates right

Add every staff member, give them the right role and set accurate charge-out rates. It sounds obvious. It is often rushed.



Staff financials in XPM: base (cost) rate and billable rate per person.

XPM bills on one of two bases. Task rates value the work by the service, no matter who does it. Staff rates value it by the person doing it. A graduate and a partner should not be valued the same on the same task, so for most small firms, staff rates are the right call.

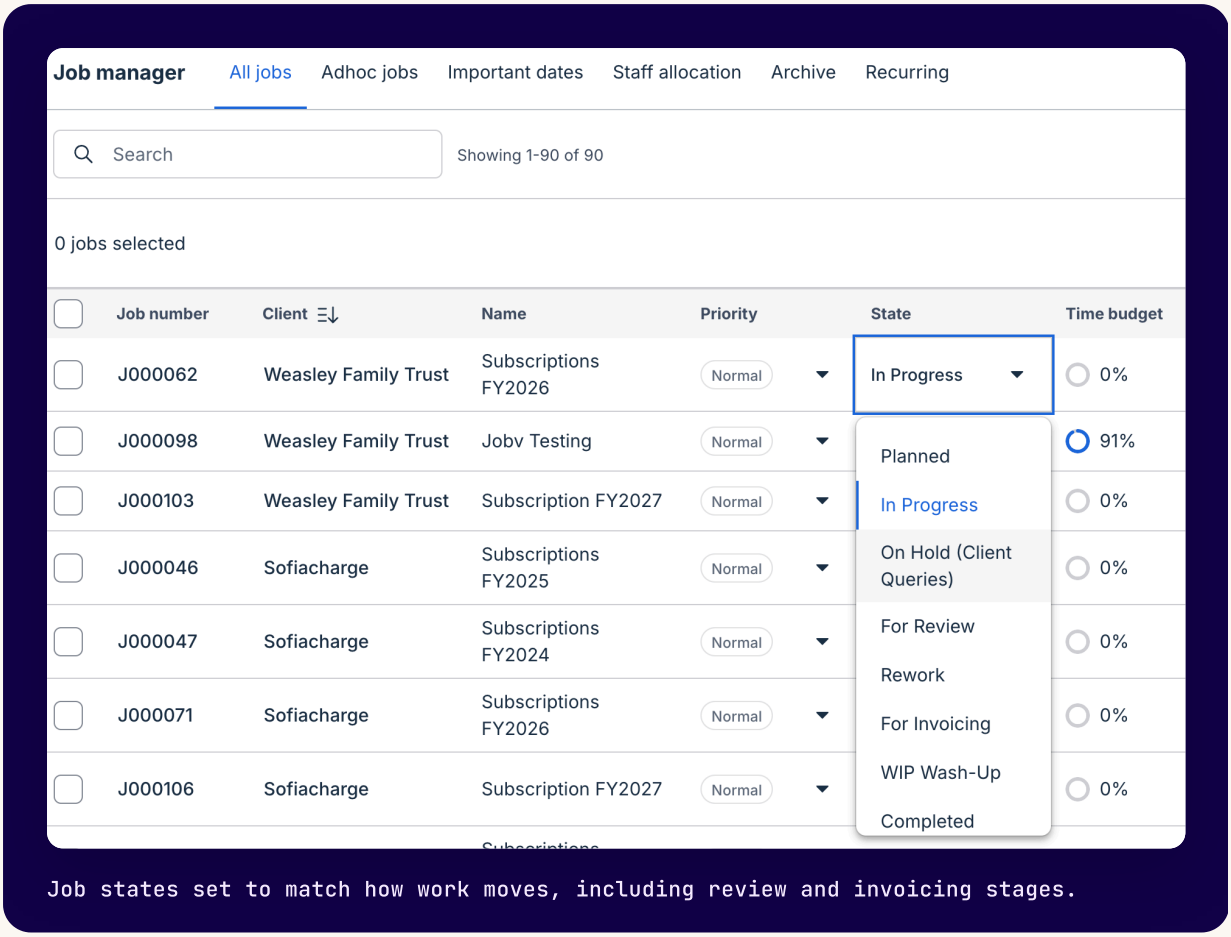
If one client is on a negotiated rate, use a custom client rate as an override. Do not bend your whole task list around one exception.

Two cautions:

- Even if you bill fixed fees, still set rates and costs for staff. Without them, XPM cannot measure write-ons and write-offs by person.
- Changing the billing basis affects future invoices, WIP values and your financial reports. If you switch, do it just after month-end invoicing, tell whoever invoices, and then leave it alone.

Build job states that match your real workflow

Job states are how work moves through your firm. They are also the most overlooked part of XPM. If they are generic, nobody knows what "In Progress" means, and the states get ignored.



Job states set to match how work moves, including review and invoicing stages.

Map what a typical compliance job goes through. For example:

1. To be scheduled
2. Waiting on client info
3. In progress
4. In review
5. Final review and ready to bill
6. Archived

Rules that hold up:

- Number the states (1.0, 1.1, 2.0) so they sort in order and you can see how many jobs sit in each.
- Keep active states to five or six. More than that and updating becomes a chore, so people stop.
- Rename "Completed" to "Archived" and add a final review step first. Jobs get closed too early when "Completed" is the last option, before timesheets, disbursements and the final invoice are done.

If you change states later, move jobs off a state before you remove it.

Watch: Job states and timesheets Running your firm on XPM, from 38:30

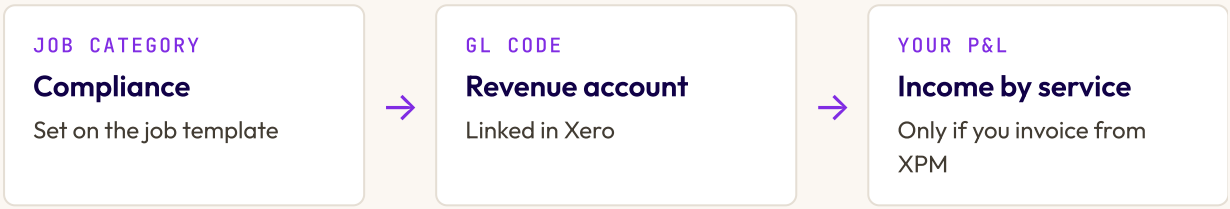
Use job categories and naming conventions

Job categories segment work by service line, billing model or type, for example annual service agreement, monthly bookkeeping, one-off project and internal. Most firms never use them, then wonder why WIP reports are hard to read.

Tag fixed-fee and retainer work separately. Otherwise negative WIP on prepaid jobs skews everything else.

Categories link to GL codes, so they decide how income splits in your P&L. That only works if you raise the invoice from XPM. From Ignition or straight from Xero, the category is overwritten.

Then agree a naming convention and stick to it, such as "Client ABC: FY26 Annual Accounts". Jobs are easier to scan, and tools that create jobs automatically, such as Rechargly, can follow it.



Watch: Job categories and templates Running your firm on XPM, from 21:06

Connect Xero properly the first time

If you push invoices to Xero or sync client data with Xero Partner Hub, get the integration right before you have hundreds of jobs. Map your revenue accounts and tax rates, set your invoice templates, and decide who has admin access and who only sees their own jobs.

Actions for this week

- [ ] Confirm every staff member has a role, a charge-out rate and a cost rate
- [ ] Decide task-based or staff-based billing and write it down
- [ ] List the stages a typical job goes through, then rebuild your job states to match
- [ ] Rename "Completed" to "Archived" and add a final review step
- [ ] Set up five or six job categories
- [ ] Agree a job and client naming convention

CHAPTER 2

Run jobs through a live workflow

Setting XPM up is the start. The value shows when the team moves work forward inside it every day, and the job list becomes the real picture of the firm.

The common failure: a firm configures states and roles, then goes back to spreadsheets, Slack threads and boards to track what is happening. XPM becomes a place to log time after the fact. Nobody trusts the dashboards.



> "Make sure it's not in Teams or Slack. That is a nightmare to find anything. Do not do that."

Ben Barker
AccountKit

Give every stage an owner

Every job needs a job manager. Every stage needs an owner too. For example:

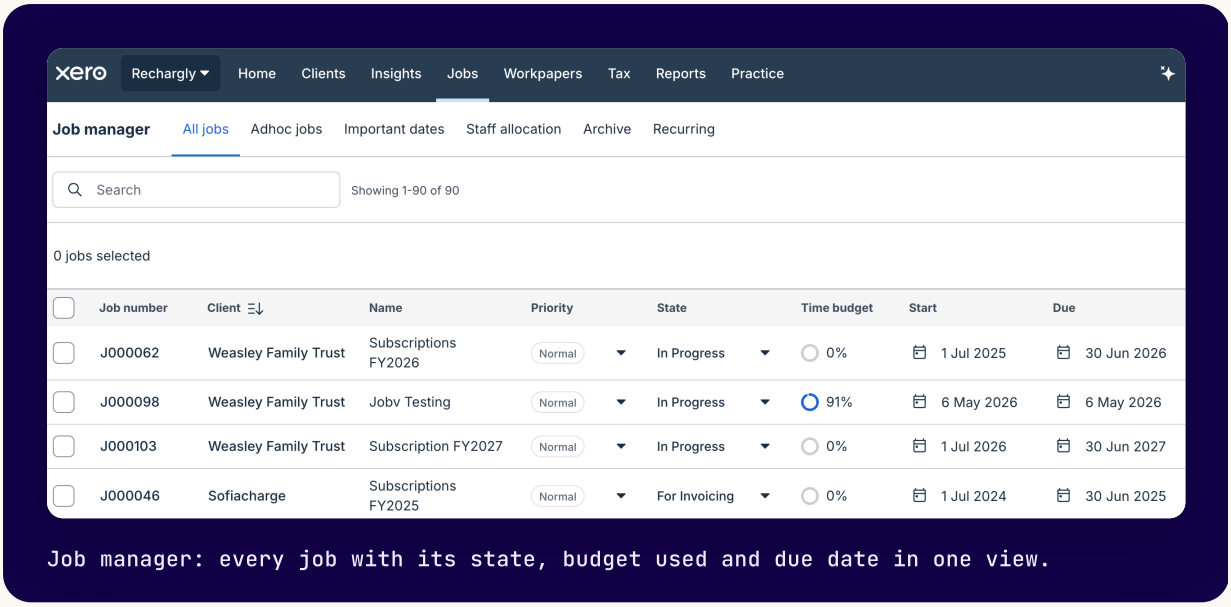
- To be scheduled: the admin coordinator moves it on
- Waiting on client info: the client manager follows up
- In progress: the assigned accountant
- In review: the reviewer or partner

If nobody owns a stage, nobody moves the job. In a small firm one person will own several stages. That is fine. Write it down.

TO BE SCHEDULED	→	WAITING ON CLIENT INFO	→	IN PROGRESS	→	IN REVIEW
Admin coordinator		**Client manager**		**Assigned accountant**		**Reviewer or partner**
Moves it on		Follows up		Does the work		Signs off

Treat XPM as a live view

Team members should update job states as they work, several times a day if needed. Not on Friday afternoon. Not when someone chases.



Job manager: every job with its state, budget used and due date in one view.

When a draft is done, move it to in review. When you are waiting on the client, move it to waiting on info. Each is one click. Together they mean you stop holding catch-ups just to ask where a job is up to. Keep client notes in XPM too, not Teams or Slack.

Use templates and recurring jobs

If you do monthly bookkeeping, quarterly BAS or annual tax, stop setting those jobs up from scratch. Build a job template with the tasks, a default budget, a service description general enough to flow through to the invoice, and standard due dates. Link it to recurring jobs so XPM creates them on time. On 1 July, your FY27 tax jobs are already there.

Treat a template as a starting point. Adjust the time and dollar budget for each client, but keep tasks and description standard. Keep the task list short. You do not need a new template every year, or one per BAS quarter. Start with your three most common services.

KEEP STANDARD

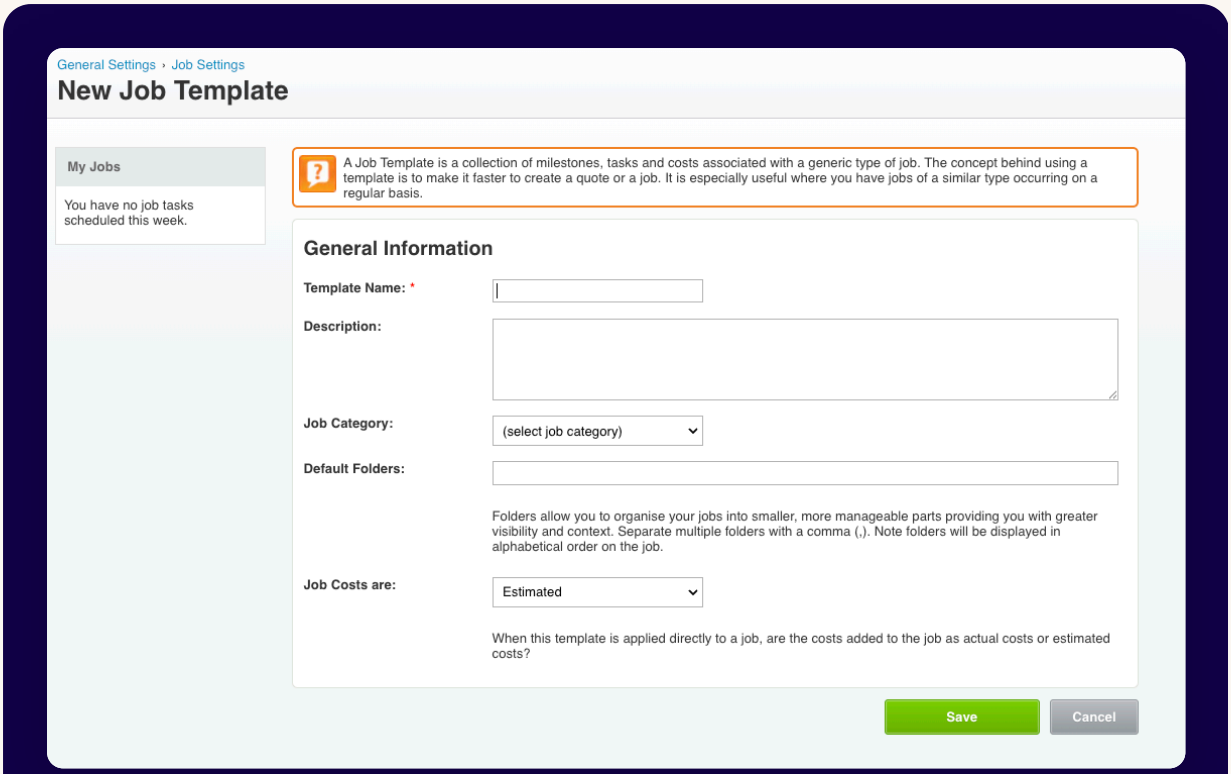
Tasks, description, due dates

Short task list. One template, not one per year.

ADJUST PER CLIENT

Time and dollar budget

The template is a starting point.



New job template form: name, description, job category and default costs.

Watch: Templates Running your firm on XPM, from 15:41

Pick one job structure and stick with it

For a small firm, our default is one job open for the year per client and service, with a task for each piece of work (BAS 1, BAS 2, tax). Time, WIP and invoices sit together, so profitability is easy to see. If your team has grown and you want the daily workflow view, a job for each piece of work suits better. Either works. Pick one, write it down, tell the team and keep it for at least a year. Name jobs by client, service and period, such as "ABC Co: Tax FY26".

Watch: One job or many Running your firm on XPM, from 9:45

Schedule work ahead of time

You do not need a separate resourcing tool to start. At a minimum, assign every job to a staff member, set due dates, and enter estimated time against tasks. Without estimates, budgets and capacity views will mislead you. Today's Jobs and Overdue only work if these fields are filled in.

Let XPM create your activity statement jobs

This section is for Australian firms. XPM can create activity statement jobs for every client automatically. It applies to all clients at once and there is no test environment. Tell your team first and switch it on at the start of a quarter. If another tool such as Ignition also creates those jobs, check for clashes before you turn it on.

Watch: Activity statement jobs Best Practice XPM Setup, from 16:06

Use on hold deliberately

Every firm has jobs stuck waiting on clients. Without a clear on hold state, they sit in "in progress", clutter dashboards and inflate WIP. Move them to on hold so you can see who needs chasing. Then have someone, usually the client manager, review the list each week. Otherwise they get forgotten.

Actions for this week

- [ ] Write down one owner per job state
- [ ] Agree that job states are updated by whoever does the work, as they do it
- [ ] Decide your job structure and write it down
- [ ] Build templates for your three most common services and link them to recurring jobs
- [ ] Check every active job has a manager, a due date and estimated time
- [ ] Pick someone to review on hold jobs each week

CHAPTER 3

Capture time and bill it

Work in progress (WIP) is unbilled work. It is revenue waiting to be invoiced or written off, so treat it like money. XPM only tells the truth if your team records time properly and someone bills on a rhythm. Chapter 4 covers the other half: costs you pay but never bill.

Make timely timesheets the rule

If time is entered days or weeks after the work, your WIP report is guesswork. Build a daily habit:

- Use the built-in timer or the mobile app during the day
- Enter time before logging off
- Agree a simple standard: if it is not in XPM, it did not happen

Set a hard deadline, for example 9am Monday for the week before, and nominate someone to chase. That is usually an admin team member, and a better use of their time than fixing data later.

Keep timesheets even on fixed fees. You will not use them to build the invoice. You will use them to see whether the job was profitable and what fell outside scope. Out-of-scope work is extra money, so capture it and bill it.

Watch: Timesheets Running your firm on XPM, from 26:51

Track all time, including the unbillable

Record admin, internal meetings, training and leave as well. Put admin and leave tasks into your job templates so people have a clear place to log them.

Use two internal time jobs, not one. The first is capacity-reducing: annual, personal and study leave. The second is not: ad hoc admin, marketing, business development and internal meetings. If one person spends a fifth of their week on admin, you want to know why.

Review WIP once a month

Make it a monthly habit, before you invoice. Block 30 minutes. Open the WIP report and look for three things:

- High balances: have we billed yet?
- Anything older than 60 days
- Jobs where the work is done but no invoice has gone out

Then act. Either raise the invoice for the time and costs, or write off what is no longer recoverable. Do not let old WIP sit and bloat your reports. Go into the new financial year at zero (30 June in Australia), bar rare exceptions such as a large R&D claim.

Negative WIP is not an error. It usually means you invoiced fixed fee work ahead of the time.

Watch: WIP hygiene Running your firm on XPM, from 30:57

Wash up jobs when they finish

A WIP wash-up closes a finished job by matching what you invoiced against the time and costs recorded. If you invoiced more, the difference is a write-up. If time and costs exceed invoices, it is a write-off. Without it, WIP builds on closed jobs and distorts job and staff profitability.

For fixed fee work, wash up at the end of the period. Write off unbilled time that was out of scope, invoice any overage if you agreed it with the client, then close the job with a clean balance. Use the result to set next year's fee.

One trap. If the invoice sits on one job and the time on another, you get a large write-up on one and a large write-off on the other. Move the timesheets to the invoiced job first. You should never have a completed job with WIP on it.

Watch: Completed jobs with WIP Best Practice XPM Setup, from 35:19

Bill on a rhythm, not eventually

Good billing is fast and consistent.

- Set a monthly billing day, such as the first of the month for monthly clients
- Add a ready to bill state to your workflow

Raise invoices from XPM where you can. The job link and WIP reduction work best when the invoice starts there. Avoid editing an invoice at the last minute by zeroing the per-person amounts and keying in a total. It wipes the staff split and breaks profitability reporting.

Link every invoice to a job

Invoices created inside a job link automatically: time and costs are marked billed, WIP reduces and the job moves on. If an invoice is raised elsewhere and syncs from Xero without a job, it arrives as miscellaneous. WIP does not reduce, and the invoice does not count towards job reporting. Repeating invoices in Xero need the same care.

Actions for this week

- [ ] Set an end-of-day rule for timesheets and pick a reminder
- [ ] Run aged WIP. Invoice, write off or explain every job over 60 days
- [ ] Find completed jobs that still carry WIP and wash them up
- [ ] Set your billing day and add a ready to bill state

CHAPTER 4

Manage disbursements in XPM

Every month, firms absorb client costs they never bill. Software is the biggest: Xero and QuickBooks subscriptions, payroll apps, Dext, Companies House and ASIC fees, lodgement and registration costs. When those costs never reach the job, profitability is wrong and revenue is lost.

We built Rechargly to fix this, so we have a view. The advice below works with or without it.

Know which costs go where

Decide up front which costs go where:

- Costs the client sees and uses, such as Xero and Dext, go on the client's monthly bill
- Costs you want to track against the job, billable or not, such as CAS 360, SMSF and processing fees, go into XPM as costs

Watch: When manual cost entry fails From hidden costs to clear profitability, from 5:19

How to import CSVs into XPM

If you recover costs by hand, this is the workflow you end up running every month. Four of the six steps are manual.

1
Collate the charges
Pull the small charges, such as Xero subscriptions, from each vendor.

MANUAL

2
Export the template
Download the import file from XPM with the columns it expects.

IN XPM

3
Consolidate
Combine the charges into one sheet in Excel, in the import format.

MANUAL, IN EXCEL

4
Match to clients or jobs
Check each row has the right client code, or the job reference.

MANUAL

5
Check the figures
Check totals against the vendor bills before anything goes to the client.

MANUAL

6
Import into XPM
Load the file. A mistake here is expensive to undo.

IN XPM

Two ways to match costs to a job

XPM can match each imported cost two ways. Use the client code, or put the job reference in the file and the cost goes to that job. Client code is the common route. Job reference is better when you need the cost on a specific job.

A cautionary tale

It is very easy to get an XPM import wrong, and a bad import creates a lot of manual work. A mistyped code sends a cost to the wrong client or job, and you cannot delete a cost in XPM. You can

only set its amount to zero. Import a few clients first and check them in XPM before you load the rest.

Check paid versus billed

Compare what you paid vendors last quarter with what you billed. One practice that checked found it was billing about 60 per cent of what it spent. Run the same check on yours. Every cost you paid and did not bill came out of your margin.

Once a quarter, pull your software spend out of Xero and sort the tools into three groups. Used every day, move to annual plans. Used by some people, right-size. Nobody can account for it, cancel.

Watch: The software spend audit From hidden costs to clear profitability, from 13:19

Keep software on its own line

If you fold software into a flat fee, the fee rises 10 to 15 per cent and clients start shopping around on price. A separate line avoids that. A monthly rhythm also catches a mid-year vendor price change, where an annual bill would miss it.



> **"Whatever you're doing, don't manually be entering in your costs into XPM. Try to automate it as much as you can."**

Tyler Caskey
The Bean Counters

Rechargly Practice Connect automates this. It reads vendor bills such as Xero invoices, matches them to the right client and job, and passes the cost into XPM ready to bill.

SKIP THE SPREADSHEET

See how Rechargly would work for your firm

Book a meeting

Actions for this week

- [ ] Compare what you paid vendors last quarter with what you billed
- [ ] Pull your software spend from Xero and sort it into daily, sometimes and unknown
- [ ] Pick one person to own monthly cost entry

CHAPTER 5

Keep it from drifting

A good setup decays without a routine. This chapter is the routine: a 15-minute weekly check, three numbers to glance at, and a quarterly look at whether XPM still matches how you work.



"We had a gut feel. And that gut feel can only get you so far in business."

Ben Barker
AccountKit

Run a 15-minute weekly check

Accountants should only need to do two things every day: update the job state and do their timesheet. Someone else, usually the practice manager or an admin team member, checks the rest once a week. If you have no admin, a partner does it. Block the same 15 minutes each week.

- Timesheets are done
- Start dates and due dates are current and nothing is overdue
- Finished work has been invoiced, and the job has been closed and packaged up
- Costs are attached to the right jobs, or automated
- WIP wash-ups are done
- New clients and jobs have no duplicates

If you find a duplicate, merge it: open the duplicate client, go to its notes tab and merge it into the record you are keeping. Quotes, jobs and invoices move across. It takes about a minute. If you import costs in bulk, watch for a bad import posting costs to closed jobs. It is easy to do and slow to unpick.

Watch three numbers

You do not need a dashboard full of KPIs. For a firm of this size, three numbers cover most of what a partner needs to know. Look at them monthly, after invoicing is finished. Start with the WIP dashboard and the KPI dashboard in XPM.

NUMBER	WHAT IT TELLS YOU	LOOK CLOSER WHEN
Closing WIP	Work done but not billed	The balance keeps growing, which usually means your billing rhythm is off

NUMBER	WHAT IT TELLS YOU	LOOK CLOSER WHEN
Recoverability	How much logged time actually gets invoiced	It falls below roughly 70 to 80 per cent. Look for poor scoping, slow delivery, underpriced fees or overruns being written off
Unbilled time over 60 days	Where margin is leaking	Any job appears on the list. Bill it or decide to write it off

These are rules of thumb, not XPM defaults. Set your own targets once you have a few months of data.

When you review write-offs, look for the cause rather than the person. They are usually a process problem. A recurring one from the same person points to training. A one-off on a single job points to scoping.

Watch: Reports worth running Best Practice XPM Setup, from 33:10

Review the system every quarter

Once a quarter, ask the team where they feel friction and whether XPM has released something you should be using. A small change to a task name, a state label or a category often fixes a lot.

Actions for this month

- [ ] Put the weekly check in the calendar, with one named owner
- [ ] Pull recoverability and unbilled time over 60 days for the last month
- [ ] Book a 30-minute quarterly review with the team

CONCLUSION

XPM as your practice's operating system

XPM is not flashy. It becomes either a single source of truth or a source of frustration, and the difference is how well it is set up and kept up.



> **“XPM won't do everything. Know where it stops, then spend your time where the extra value is worth it for your firm.”**

Alex Millar
Rechargly

XPM has limits. It is not built for client-facing work such as proposals and document collection. That is where add-ons come in: Practice Ignition for proposals and engagement letters, and Rechargly Practice Connect for software cost recovery.

The skill is knowing those limits, then deciding where extra effort pays off for your firm. A two-partner firm may stop at clean job states and a monthly WIP check. A larger one may add reporting. Each extra piece should earn its place, so add the next one only when the return is worth the time.

Bookmark it and share it with the team.

About Rechargly

Rechargly automates recurring billing and software cost recovery for accounting and bookkeeping firms, including Practice Connect for XPM. If you would like to see how it fits with your setup, book a meeting.