

ARTIFICIAL INTELLIGENCE

IS ACCOUNTING READY FOR
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Why CFOs fear AI, and why they shouldn't

Artificial Intelligence (AI) is ringing in a new era of technology, and businesses and government alike are vying for innovations that promise to transform operations and improve productivity. AI startups are among the hottest investment trends, and AI talent is commanding sky-high salaries as tech giants battle for their competitive futures [1]. By 2020, AI technologies are expected to create a \$1.2 trillion market [2].

Headlines promoting AI innovations reflect the diversity of applications. Some of the more familiar use cases include autonomous

vehicles, where software systems are learning to take control of the driver's seat, or advanced robotics where machinery is programmed to take on intricate tasks that are beyond the reach of a surgeon's skilled hands.

There are also AI innovations happening in less hyped areas such as CRM software [3]. It is becoming increasingly difficult to envision an industry that will not be impacted by AI in the not-so-distant future – a realization that can be both exciting and frightening to those outside of this hotbed industry.

While the successful future of AI remains debated between the believers and skeptics, there's one audience that may be among the most difficult to convince that AI has an immediate role to play in their career: accountants.

Let's face it. Accountants tend to be more careful and cautious when it comes to change. Their analytical mindsets need time to observe, learn and prove that our worst fears surrounding potential consequences are unfounded.

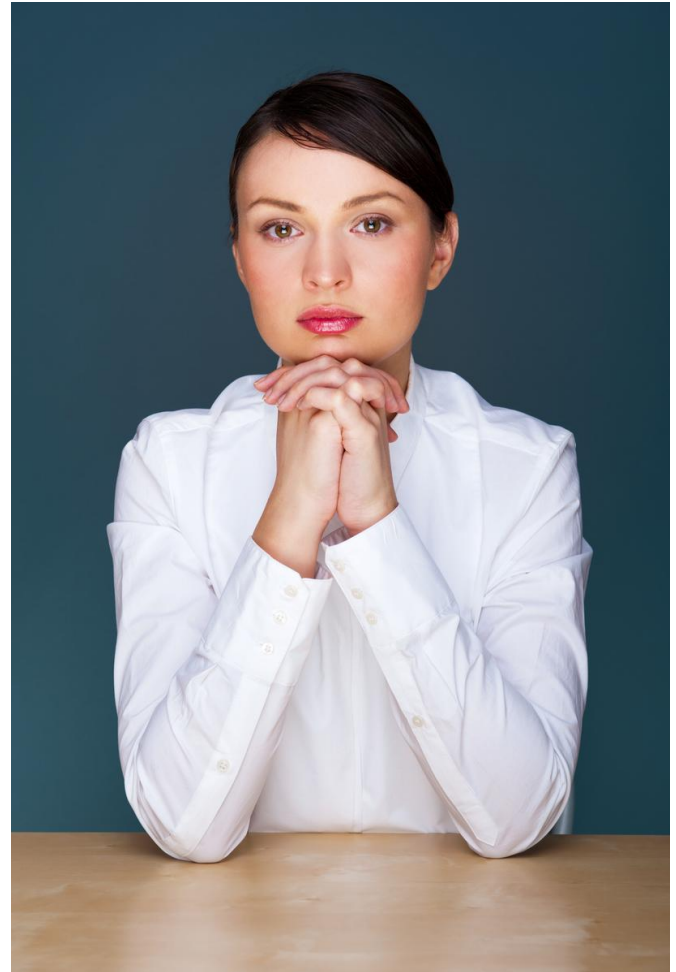
One of the greatest fears may be that of giving up control, which is further elevated by movies about AI that fuel our imagination [4]. After all, a CFO certainly doesn't want to be the next headline involving a CFO in prison or facing criminal charges due to accounting mistakes made by a robot [5, 6].

Although we draw upon these fears for illustrative purposes, the reality is that they do represent a level of misconceptions held tight by those who are hesitant to relinquish control to this "new thing called AI."

AI IN ACCOUNTING IS HERE

Most accounting professionals are risk adverse, and necessarily so. The ability to keep the company's financial data secure and accurate is critical not only for the company, but also for the CFO's career. Every stakeholder involved – board members, investors, employees, customers – is impacted greatly by a company's financial health. With stakes so high, risk must understandably be low.

Many financial executives are watching AI closely, and perhaps underestimating the impact it will have on their business. But the days of watching from the sidelines are over.



Three of the four Big Four accounting practices, Ernst & Young, PricewaterhouseCoopers and Deloitte, recognize the importance of AI in automating and continually improving productivity in finance, as recently reported in Forbes [7]. While all three companies are actively developing AI technologies, Deloitte's corporate innovation team devotes 80% of its time to AI.

As the Big Four practices, technology companies and investment firms strategize and prepare for the future of AI, it is important for accountants to realize that the buzz is not a vision of the future. AI is here, and as we'll explore below, is in fact built into Flexi's accounting software today.

To understand the applications and potential for AI in accounting, it's important to define just what AI is -- and what it isn't.

WHAT EXACTLY IS AI IN ACCOUNTING?

For those on the outside looking in, AI conjures up visions of the much-publicized failures including car crashes or security hacks. With these disasters top-of-mind, it's no wonder that CFOs may be hesitant to hand over the wheel when it comes to protecting a company's financials – the very lifeblood of every organization.

Alleviating these concerns begins with a clearer understanding of what AI is. In the article, *The Business of Artificial Intelligence*, HBR refers to AI as the most important general-purpose technology of our era, particularly machine learning (ML), which is a machine's ability to keep improving its performance without humans having to explain exactly how to accomplish all the tasks it's given [8].

In other words, intelligent automation.

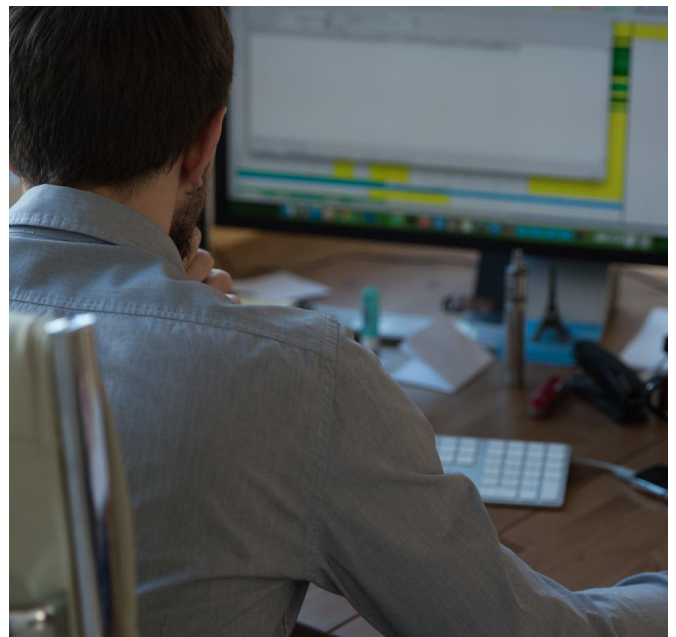
Automation is a word that all accountants can relate to, as companies continue to strive for greater automation that brings efficiency and lower operating costs. That is exactly the type of AI we are referring to when it comes to accounting.

AI: A MACHINE'S ABILITY TO KEEP IMPROVING ITS PERFORMANCE WITHOUT HUMANS HAVING TO EXPLAIN EXACTLY HOW TO ACCOMPLISH ALL THE TASKS GIVEN. (HBR)

USE CASE EXAMPLE

Flexi, a provider of enterprise financial management software, has already included AI as a powerful tool that helps with better decision-making. To illustrate, consider an accounting clerk who is processing a transaction but is unsure whether to post the expense in this month's financials or next.

Without AI, that clerk has the power to decide how that transaction is recorded, which may or may not be correct. If incorrect, the entry goes unchecked – one of the very reasons why a Dimensional Research survey found that **only 25% of respondents were confident in the accuracy of their last close, and 75% had to reopen their books after close to fix errors** [9].



Flexi's AI serves as a "helper" to avoid costly errors and accelerate the financial close process. Not in a human-sense (so don't worry, your office colleague is not going to be replaced by a robot), but rather a preemptive, real-time help from the accounting software system. Based on the way the software has been programmed and its ability to continually "learn" from similar transactions, the system can offer suggestions on how to record the transaction in question based on accounting rules.

This can provide someone who lacks in-depth accounting knowledge with real-time assistance to not guess, but rather to make an informed decision. The system can also alert managers of the need to review and approve anomalies that fall outside of acceptable norms, providing much needed confidence that transactions are posted properly, and the resulting financial statements are accurate.



In such a scenario, it becomes easier to see the extreme value that AI will bring to accounting. But as the promise of increased productivity becomes a reality, the natural question for many becomes, "Will I lose my job?"

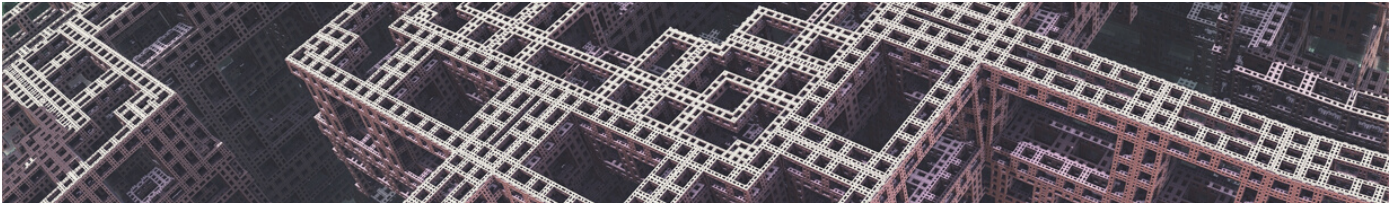
HOW AI WILL IMPACT ACCOUNTING CAREERS

Using a sports metaphor in the example above, AI takes on the role of a coach. The coach can call plays from the sidelines, but he still needs the players to carry the ball. It's similar with AI. In accounting, humans will always be needed, although the teams may look vastly different in the future.

Fewer resources will be needed to accomplish routine tasks that are automated through AI technologies. Yet management and strategic-level accounting careers will not only remain necessary to provide oversight and guidance, but also they will be more rewarding because AI will enable humans to focus on the most valuable parts of the job.



While it's true that some jobs will be lost, even more will be created. An October Gartner report predicts AI to be a "net job creator" by 2020 – creating at least a half million more jobs than it replaces [10]. AI in accounting will bring a host of new jobs and opportunities to the forefront, many of which we cannot even imagine today.



Although artificial intelligence plays out on the big screen through grandiose sci-fi adventures, AI in an accounting context is much different. The robots are not coming, but what *is* coming is a new era of speed and accuracy through intelligent automation (IA). This understanding will help CFOs and their teams be ready to embrace the changes ahead. The future of AI in accounting is here and our accounting practices, financial statements and career opportunities will be all the better for it.

ENDNOTES

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ABOUT FLEXI

For 30 years, Flexi has focused on simplifying accounting and accelerating the financial close process for accounting and finance executives around the globe. Flexi's comprehensive platform was built by accountants, for accountants, with an understanding of how stressful the period close is, how complicated multi-entity books can be, and how frustrating audits are when accurate reporting is not easily available.

We scrutinized every step of the process and developed our comprehensive platform with functionality far exceeding that of other platforms, including continuous close capabilities, process automation through a powerful workflow engine with AI, complete and accessible audit trails, and, of course, security that exceeds even the most stringent requirements of the world's largest banks.

The end result is a process-driven financial management system that is flexible enough to meet the unique needs of even our most demanding customer. Delivered in the cloud or on-premise, over 20,000 users across dozens of industries rely on Flexi's accounting software.

Is this the year you're determined to make your mark on the company with a game-changing accounting system? If so, take a closer look at Flexi for:

- Automation, time savings, and a faster closing process
- Enterprise software that delivers top-tier functionality without a top-tier price
- Flexibility to deploy in on-premises or cloud environments
- Expertise and support that you can rely on to solve even the most complex accounting challenges

Visit www.Flexi.com to learn more.

