

AI and the future of accounting

A Capium whitepaper for accountants.

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Introduction

We've all seen the headlines: 'Artificial Intelligence is changing the world as we know it'; 'Automation puts the workforce at risk'. With so many conflicting stories, separating reality from science fiction can be difficult. But one thing is certain: AI is changing the way we do business — and that includes accounting.

This technology isn't entirely new. Many accountancy firms that use cloud accounting already incorporate AI into their day-to-day processes — even if they don't realise it. However, with AI capabilities developing at breakneck speed, the role of accountants could look very different in a few years.

If you want to future-proof your accounting firm, you'll need to understand the potential impact of AI on your business and how to harness it to improve your processes. The more you familiarise yourself with tech now, the easier it'll be to keep your firm relevant and deliver the services your clients expect from you.

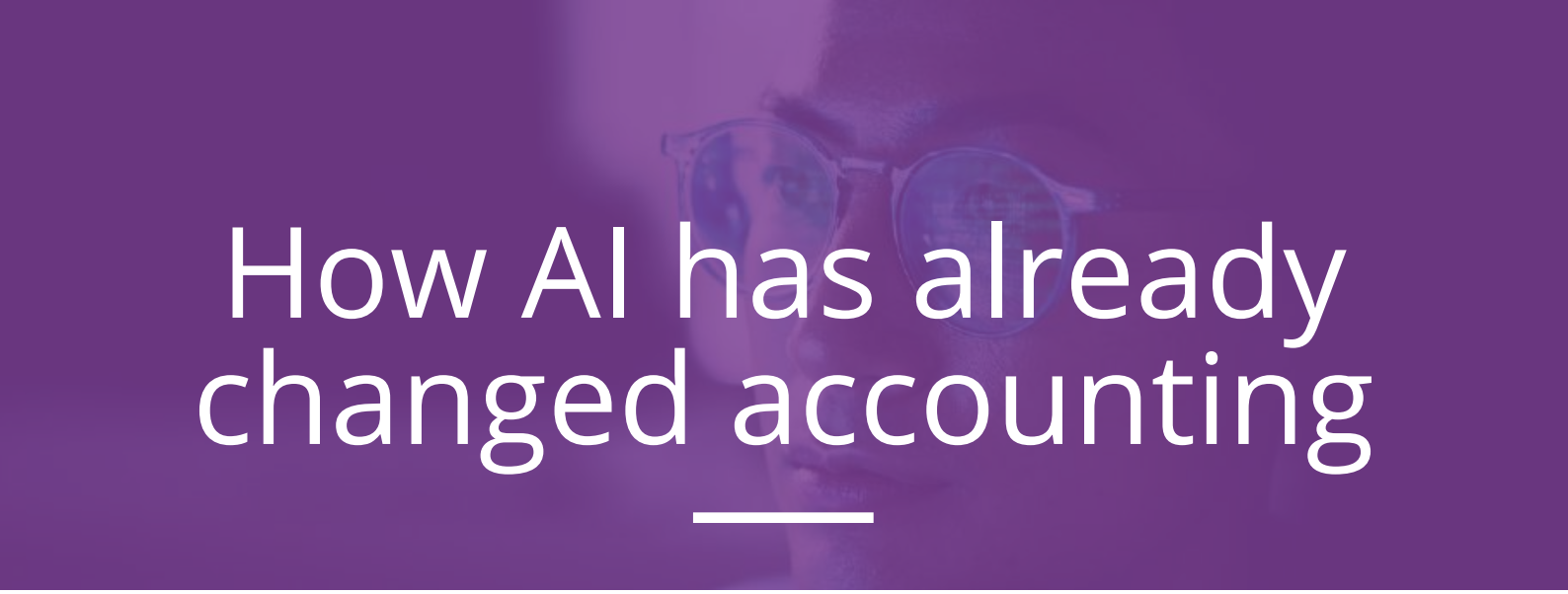
Accounting past, present and future

Accounting has existed for as long as we've had currency. In fact, it's thought that the first named person in history wasn't a king or a warrior, but an accountant who lived over 5,000 years ago.

It's safe to say the profession has changed a lot since then. However, the one constant is that individuals and businesses always need accountants — just in different ways.

For example, let's look at how accounting has changed in the last few years. The widespread adoption of cloud accounting has made it easier than ever for laymen to manage business expenses and automate manual tasks. But instead of replacing the need for accountants, the industry shifted its focus to providing more high-level business advisory and strategic services, letting cloud accounting do the legwork.





How AI has already changed accounting

Before we can predict how AI will affect the future of accounting, we need to look at how it's already being used by professionals today.

Machine learning and automation

Many cloud accounting platforms integrate with machine learning — a subset of AI that identifies patterns within datasets and generates algorithms based on those patterns. It then uses feedback and experience to refine those algorithms.

In short, machine learning enables computer systems to learn and improve from data without explicit programming. This means systems can make predictions or draw up financial forecasts quickly, and with little input from the user.

Machine learning is also used in automation. For example, you can train algorithms to automatically categorise expenses based on historical data. As users upload invoices and receipts, the software can allocate them to the correct accounts automatically.

This function allows accountants to focus more on high-end services like strategic decision-making and less on repetitive manual tasks such as data entry.

Auditing

AI's ability to identify patterns can be particularly useful for auditing. Auditors often need to analyse large datasets in their work — a repetitive manual task that can get in the way of more in-depth financial analysis.

AI, meanwhile, can evaluate those same datasets in seconds, making it easier to spot irregularities that could indicate fraud and carry out money laundering checks. This can allow auditors to conduct more thorough audits, boost their productivity and cut costs.

Other applications of AI

No matter what industry you're in, you'll need a good online presence if you want to build a successful business these days. Using generative AI technology like ChatGPT, accountants can create social media posts, website copy and emails to clients with ease.

AI-powered workload management tools can also help accountants prioritise tasks and complete projects on time.

So what's next?

While accountants have been using AI technology for a while now, it's still in its infancy. AI can do a lot of the legwork, but an expert often needs to step in to interpret the data and take charge of the more high-level tasks.

But with developments in AI technology accelerating at breakneck speed, is this all about to change?





How will AI affect accounting in the coming years?

Unless you get your hands on a time machine, you're unlikely to find clear-cut answers about how AI will impact accounting in the future. As tech experts, however, we're in a good position to make some solid predictions.

- **Enhanced AI functions**. In the coming years, current applications of AI in accounting will become more and more sophisticated. That means automating more complicated processes, streamlined data entry processes and advanced financial insights.
- **Cloud accounting technology**. In an effort to stay competitive, software developers and cloud accounting providers will increasingly integrate AI into their systems. As a result, firms won't need to develop their own AI systems in order to reap the benefits.
- **The more impact, the better**. While we don't yet know the full extent of AI's potential, tech companies are likely to focus on developing financial processes that will have the biggest impact. Technology that improves service levels or helps firms save the most resources will likely make the most money.
- **A new kind of accountant**. AI's potential to boost productivity and automate a wide range of accounting tasks means the workforce is set to change as we know it. This isn't the first time the role of accountants has evolved over the years — and it certainly won't be the last. But the profession may change more rapidly than before.

The accountant of the future

So what does the accountant of the future look like? Will the profession even exist in a few decades? At Capium, we certainly think so — but it may look very different than it does today.

As AI is used increasingly in accounting processes, firms will need to hire people who know how to harness that technology to get results. This could open up new and exciting career opportunities for more computer-savvy accountants, but may leave techno-skeptics behind. The average accountant will need to develop their IT skills if they want to stay competitive within the changing accounting landscape.

That doesn't mean you should throw out your accountancy textbooks — but your bean-counting days are numbered. Instead, you may take on more of an advisory role, using AI technology to develop more refined financial management strategies for your clients, while also verifying the accuracy of automated compliance work.

We're already seeing this happen today with cloud accounting software. Traditional firms that stick to older, less efficient accounting methods put themselves at a disadvantage, while early adopters have more time to dedicate to higher-level tasks.

Bridging the talent gap

One area where AI could have a positive impact is in recruitment. Recent skills shortages in the industry mean that many accountancy firms don't have the necessary staff levels to meet their clients' needs.

With AI taking on a wider range of time-consuming tasks, firms may not need to hire as many employees. Reducing the number of people on the payroll could also allow business leaders to cut costs without sacrificing efficiency.

Of course, this could also mean fewer job opportunities, but while this is a valid concern, it's unlikely that AI will replace accountants entirely. Instead, we may start seeing more businesses using both AI and human expertise in tandem — a new hybrid business model.

The client of the future

Accountancy isn't the only profession set to change. Your client base could look very different in a few years as new industries emerge and businesses integrate AI into their existing processes. A more tech-literate workforce may expect accounting firms to use AI.

But this brings up another question: As the role of AI in business becomes more important, what's to stop clients from cutting out the middle man and using AI without your help?

In truth, some people will choose this path. Business owners may rely on accountants less and less for routine tasks – and may even use AI to support things like strategic decision-making and risk management. However, if our experience as software providers has taught us anything, it's that tech gets the best results in the hands of experts.





Limitations of AI

For all of AI's potential to transform accounting, it does have its limitations — at least for now. Keeping these limits in mind can ensure that AI always adds value to your processes, and it can help you understand your role as an accountant, too.

- **Data security**. While AI has the potential to improve data security in some respects, we need to tread carefully. For example, ChatGPT logs each and every conversation it has with users. That includes any sensitive information you might provide about your firm or clients. At Capium, we know how to stay in line with GDPR rules, but you should always read the small print.
- **The personal touch**. A chatbot is no replacement for human interaction. When someone dials the number of your accountancy firm, they don't want to talk to a robot about their tax strategy; they want to speak to you.
- **Forecasting**. While AI's ability to spot patterns in large datasets is unparalleled, historical data is just one factor to consider when drawing up financial forecasts. Economic conditions, the political climate and market trends also come into play — and that's where human insight is crucial.
- **Understanding laws**. At the moment, AI lacks the capability to understand nuance within complicated legislation. This could change in the future, but it's important not to rely on AI's judgement too heavily when it comes to keeping your clients compliant.



How to create a good AI strategy

We know that AI is going to have a significant impact on accounting — but what action do you need to take?

The way we see it, the worst thing you could do is nothing at all. Accounting industry giants are integrating AI into their processes as we speak, and burying your head in the sand is a surefire way to get left behind. Here's what you can do now to create and start implementing a solid AI strategy.

Think about what AI can do for you

If you want to build a sustainable accounting firm, you'll need to consider how AI can benefit your business. Maybe you want to focus more on providing high-level financial advice, but your bookkeeping tasks are holding you back. Or maybe you want to take on more clients, but you don't have the resources on hand to accommodate that. Taking a step back and looking at the bigger picture can help you create an AI strategy that moves your practice forward.

Think about what AI can do for your clients

Above all else, any technology you introduce must contribute to a better level of service for your clients.

Just as it can help you to automate manual processes and free up more time, it can do the same for your clients when it comes to capturing and recording data. For example, expense management tools often use forms of AI to automatically recognise and categorise information.

And by enhancing your own service, you'll be able to give increasingly sophisticated insights to a wider base of clients. It may be worth considering the way you package these types of services, and how you'll communicate their value.

Be transparent

Once you've put an AI strategy in place, it's a good idea to share your plans with clients and stakeholders. The more honest and open you are about how you'll use AI in your firm, the more confident stakeholders will be in its future. This can also demonstrate to clients that your firm is forward-thinking, and won't get left behind. Over time, clients won't just become more familiar with AI; they'll begin to expect it.

Establish a strategy

You might personally be aware of the risks, limitations and best practices when it comes to AI. But is everyone across your firm in agreement? By establishing a clear AI strategy and policy for use, you can align your team and reduce risks. Depending on how you're applying AI, there might be areas to seek legal guidance on, too – for instance, data handling or attribution of AI-generated content.

Brush up on your tech skills

Whether you're new to the accountancy game or you've been in the industry for decades, you'll need to brush up on your AI skills if you want to stay competitive. You don't need to be an expert, but the more you know now, the easier it'll be to grow a sustainable business in the new age.

Make the most of cloud accounting technology

You may not have the resources or tech expertise to integrate AI into your own financial processes — but we do. At Capium, we can keep a close eye on the latest developments in AI and add new features to our software so you don't have to lift a finger. Our tech-savvy customer service team will also be on hand to answer any questions you might have about new updates and help you make the most of Capium's AI capabilities.

Improve marketing systems

Don't limit yourself to just accountancy-specific tasks. Think about how you can use generative technology like ChatGPT to streamline communications with clients. This might include drafting emails, writing blog copy or social media posts, creating pages for your website, and more.

Across all of these tasks, keep in mind the limitations of generative AI. Just as you'd want an accounting professional to check the financial figures produced by a computer, it's better to have your copy checked and revised where necessary by someone with a solid understanding of content creation and marketing.



Conclusion

Accounting as a profession isn't going anywhere — but it is evolving. The sooner you embrace AI, the easier it'll be to adapt to technological advances further down the road.

You can start your AI journey now by making the most of the existing features in cloud accounting software like Capium.

If you want to learn more about how technology can boost productivity and help you improve your accounting services, contact us or start a free trial with Capium today.

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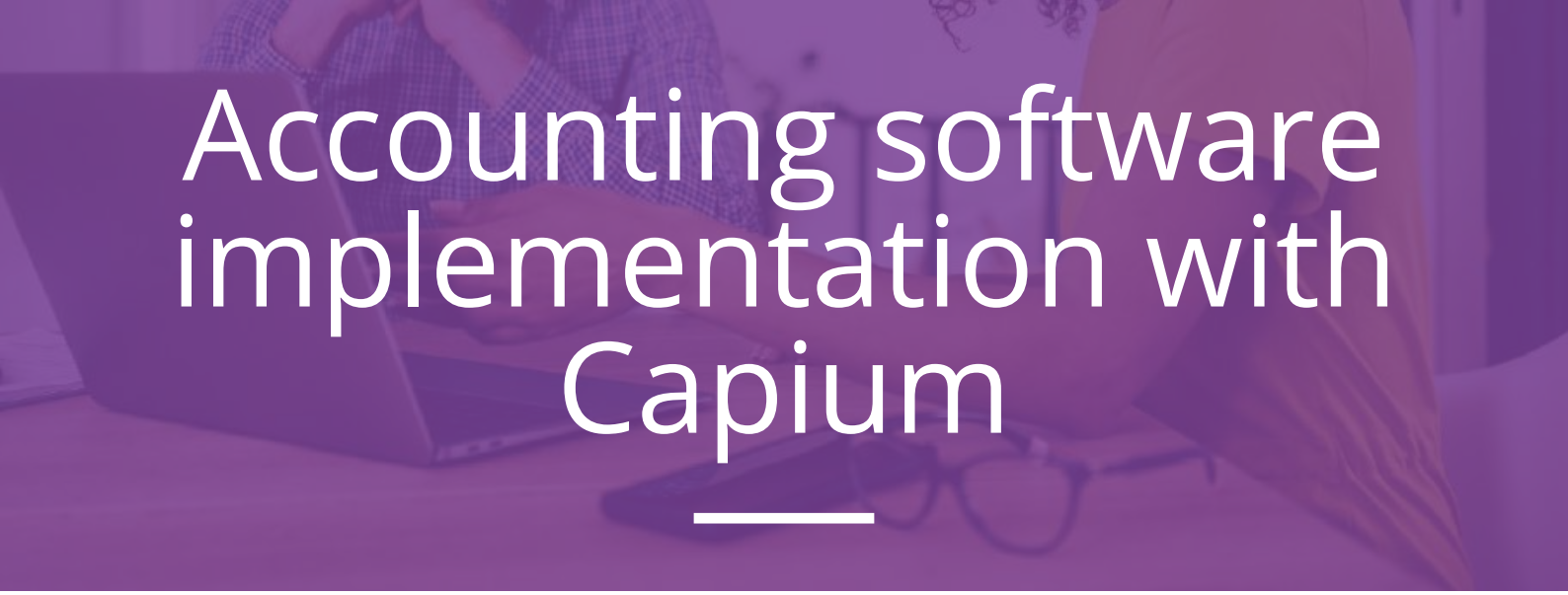
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Accounting software implementation with Capium

We understand that integrating your firm's systems with a brand new type of software can be a challenge, especially from a technical and training perspective, which is why we've endeavoured to make accounting software implementation as simple a process as possible.

Here are just the highlights of what Capium can do for you:

- Easy-to-use
- Cloud-based
- Unlimited number of staff licences
- Reasonable prices
- Approved for MTD
- Optional modules that all integrate
- Free bookkeeping software
- Practice management software
- Attentive support team
- Assistance with data migration

Interested in learning more about Capium or looking for further information about your firm's digital transformation. Don't hesitate to get in touch with us to discuss your accounting system integration needs.

Interested in what you've read? Think we've missed something out? Get in touch for close assistance picking the right software solutions and growing your practice.

Call us on 0203 322 5578
or find out more at capium.com