Dext

# AI and The Future of Accounting

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Introduction

It's no secret: artificial intelligence (AI) is reshaping how we live our lives and the ways in which we work. Accounting is no different and, like so many industries, it is set to undergo significant change.

Accountants and bookkeepers are, of course, no strangers to AI. Many firms and their clients have embraced this technology for some time. Alternatively, there are some that have toyed with AI and automation, opting instead to stick with more traditional accounting methods which rely heavily on manual input. That path is now, seemingly, no longer a viable option. In fact, it would seem we are now at a juncture whereby accounting and bookkeeping firms must either evolve, or risk falling behind.

Against that backdrop, we'll be uncovering what AI means for accounting and, more importantly, how you can apply it at your firm to its full potential. As a key player in this space for over a decade, the content draws on Dext's own expertise around AI and its place within accounting. In addition, we'll also be bringing in the view from industry experts as well as insights from a recent Dext survey.
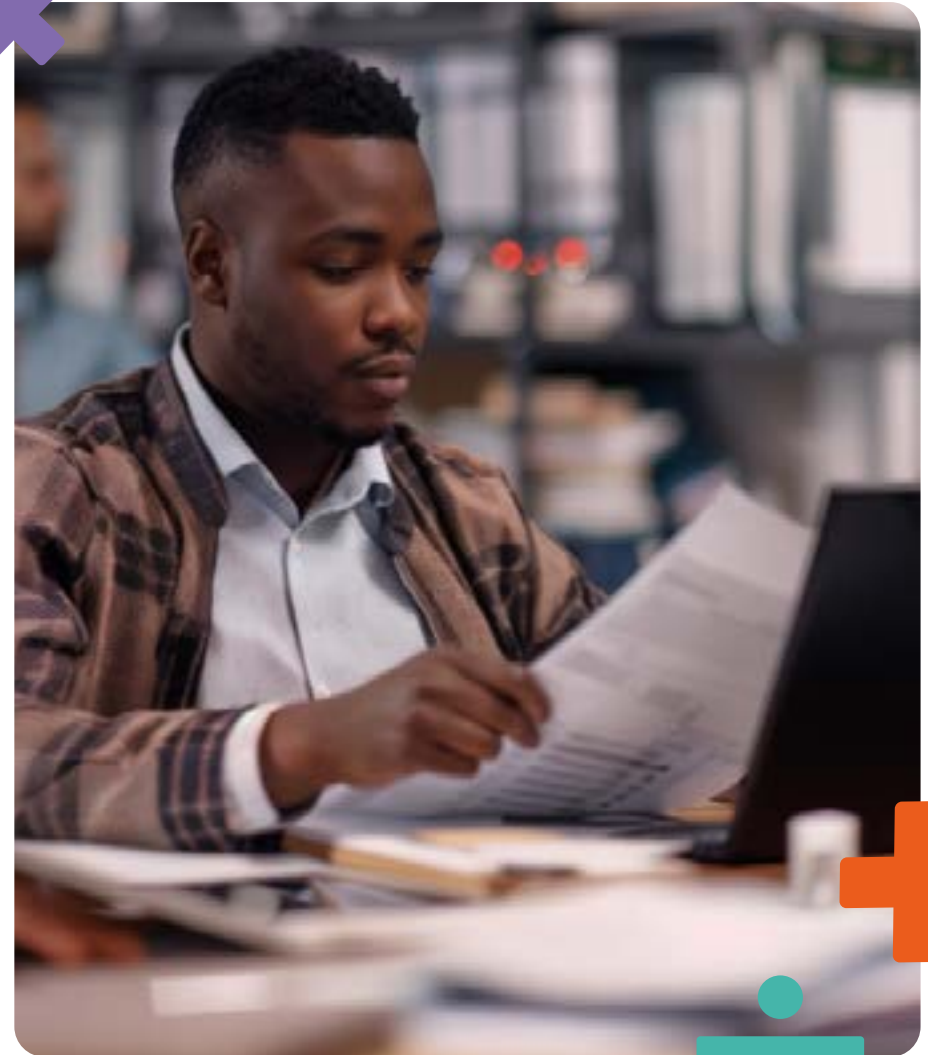
*The Dext survey was conducted in June 2023, using a sample size of 250 accountants and bookkeepers.

The role of AI in Accounting
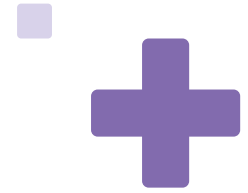
Before we begin, it's worth laying out some parameters – predominantly around what AI is and what it is not.

As you know, the rise of this technology has been well documented by experts and others. Social media is awash with AI rhetoric which has, subsequently, created confusion around what technology should be classed as AI. Clarity on this topic is hard to come by.

If we're to understand how AI fits into accountancy, we must first acknowledge the factors driving its widespread adoption. When we take these things into account, we can see that its arrival is a timely addition when you consider what the industry needs.

Is the accounting industry ready for AI?

Accounting has a talent issue. In fact, according to the Dext survey, **36% of accountants and bookkeepers plan to leave the industry within one to five years.** The question is why? Well, when we dig deeper, we find that **21% of those say they intend to leave due to a lack of work-life balance**, while a further **21% say they plan to make a complete career change.**

The data also tells us that **56% of accountants and bookkeepers say they spend too much time doing work manually.** If we're to draw parallels between the two, it's reasonable to suggest that the

36%

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work-life balance dilemma could be rectified if employees spent less time on manual work.

Xero has also shown its support for this theory in their recent report: Beating the Digital Drag. The report finds that 30% of small businesses said that digitalising processes saved time for employees. 38% also claimed that digitalisation made their business run more smoothly.

With these figures in mind, it would be wasteful to ignore the capabilities of AI and automation. It is a custom-fit solution to a number of present-day challenges that span more than just accounting. Now, let's see where and how AI works within the accounting world.

Where does AI fit into the accounting picture?

AI is an ever-evolving field with many different moving parts, all of which influence particular aspects of the accounting workflow. It's also important to remember that not all AI is the same. Some use templating, which requires a small amount of input from the user each time. Other types use OCR (Optical Character Recognition) to extract data.

"Traditional AI is the specialist that's trained to do a specific job on specific data. Generative AI is the generalist trained on massive datasets… it's interactive, and it has the potential to change everything for everyone."

Today, though, there is far more focus around the use of Generative AI. This transition can be attributed to a specific moment: the 14th of March 2023, when Chat GPT 4 was released by Open AI. Up until that point, machine learning was predominantly a tool used for things like data extraction. In other words, it was limited to a specific part of the accounting workflow.

Fast forward a year, and there are now other applications similar to Chat GPT like Gemini and Claude. What's more, the major

players in accounting software are now embedding this technology within their own platforms; look no further than Xero JAX, Intuit Assist and Sage CoPilot.

For accountants and bookkeepers, the real opportunity comes when you apply AI across the entire process – merging traditional and generative software to establish a more integrated and cohesive workflow.

Spotlight: AI and the bookkeeping workflow

The accounting cycle is a complex system with overlapping processes and various workstreams. As a result, it can be hard to identify which digital tools apply to each stage of the cycle.

To help illustrate how you can achieve this, we've chosen to focus on just one piece of a much bigger puzzle, in this instance the typical bookkeeping workflow. As with all workflows, we suggest breaking the process down into subsections.
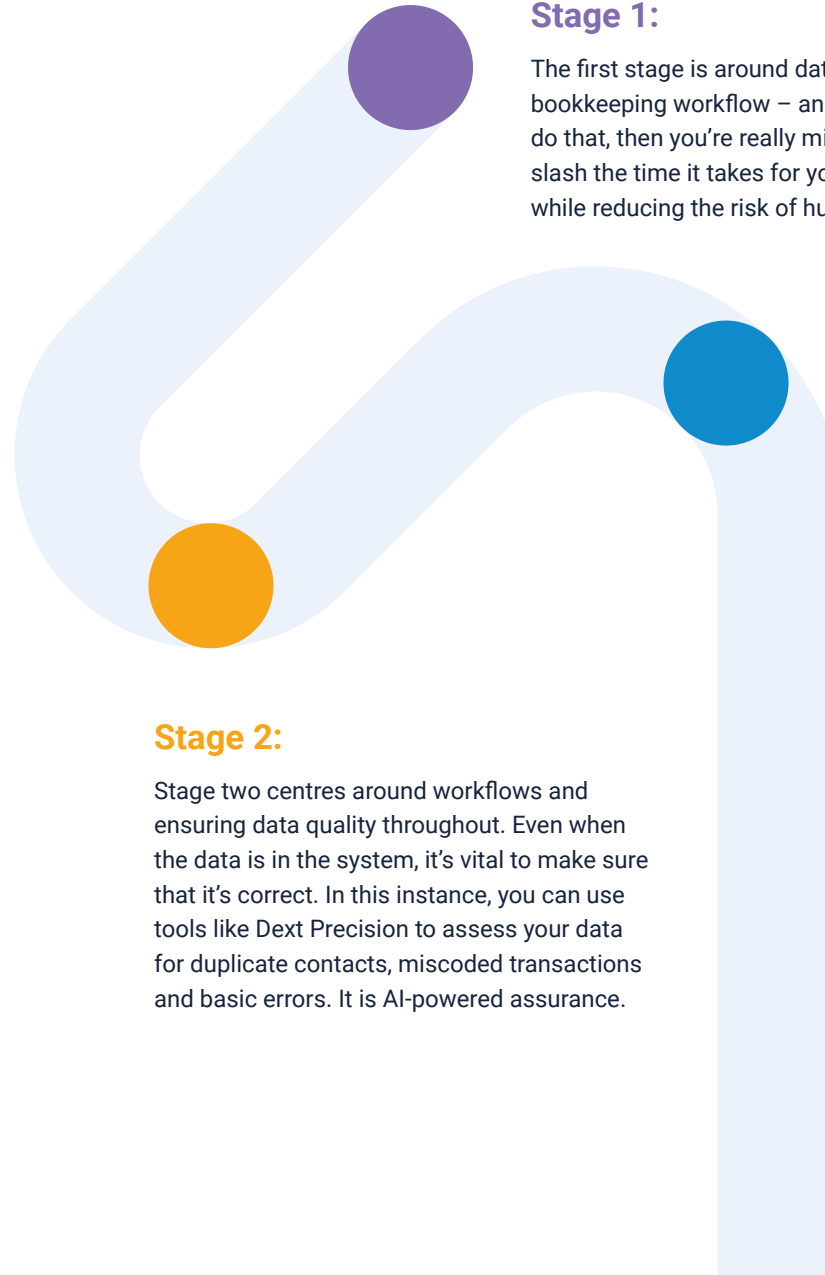
Stage 1:

The first stage is around data capture. This is very much the foundation of any bookkeeping workflow – and if you're not using AI or ML (machine learning) to do that, then you're really missing a trick. Data capture tools like Dext Prepare slash the time it takes for you to extract and process client transaction data while reducing the risk of human error when entering that information yourself.

Stage 3:

The final stage is understanding how you then apply and use that data in a broader business setting, whether that's connecting with your clients' platforms, or integrating with online, digital and e-commerce type businesses. In this context, software like Dext Commerce helps to collect and consolidate diverse data sets from different types of client business activity.

Stage 2:

Stage two centres around workflows and ensuring data quality throughout. Even when the data is in the system, it's vital to make sure that it's correct. In this instance, you can use tools like Dext Precision to assess your data for duplicate contacts, miscoded transactions and basic errors. It is AI-powered assurance.

At a high level, the role of AI is to help move these processes along, streamlining tasks that historically may have taken up considerable time and mental capacity. The bookkeeping workflow is just one example of what the introduction of AI looks like at a granular level. In fact, when we asked accountants and bookkeepers to rank in order which functions are most likely to be automated that aren't already, the top answers were as follows:

59%

Auditing financial information

45%

Business plan analysis

44%

Preparing accounts and tax returns

Glossary

1. **Artificial Intelligence (AI):** The simulation of human intelligence processes by machines, especially computer systems. These processes include learning, reasoning, problem-solving, perception and language understanding.

2. **Machine Learning (ML):** A subset of AI that focuses on the development of algorithms and statistical models that enable computers to improve their performance on a task through experience, without being explicitly programmed.

3. **Deep Learning:** A subset of machine learning that involves neural networks with multiple layers (deep neural networks). It aims to mimic the human brain's structure and function to enhance learning and decision-making capabilities.

4. **Neural Network:** A computational model inspired by the structure and functioning of the human brain. It consists of interconnected nodes (neurons) organised in layers to process information and make predictions.

5. **Algorithm:** A set of rules or procedures followed by a computer to solve a specific problem or perform a particular task.

6. **Training Data:** The dataset used to train a machine learning model. It consists of input-output pairs that help the model learn patterns and relationships.

7. **Supervised Learning:** A type of machine learning where the model is trained on a labelled dataset, meaning it learns from input-output pairs to make predictions or classifications.

8. **Optical Character Recognition:** the electronic or mechanical conversion of images of typed, handwritten or printed text into machine-encoded text, whether from a scanned document, a photo of a document, a scene photo or from subtitle text superimposed on an image.

9. **Reinforcement Learning:** A type of machine learning where an agent learns to make decisions by interacting with its environment. It receives feedback in the form of rewards or penalties based on its actions.

10. **Natural Language Processing (NLP):** A branch of AI that focuses on the interaction between computers and human language, enabling machines to understand, interpret, and generate human-like text.

11. **Big Data:** Extremely large and complex datasets that cannot be easily managed or processed with traditional data processing applications. AI often leverages big data for training and improving models.

12. **Algorithm Bias:** The presence of systematic and unfair discrimination in the outcomes produced by an algorithm, often due to biassed training data or flawed design.

How to use AI in Accounting

**Ami Copeland,
CEO at the Institute
of Certified Bookkeepers**

"I think it is a potential threat, but it's definitely an opportunity. People are right to be hesitant, because, I suppose, what's new about it is there is no function list. It's not like usual 'new tech', where you can see exactly what it does. What's more, we don't know what it does. And the people who've designed it don't even know what it does."

Handle with Care

In terms of a successful industry-wide rollout there are still teething issues. Much of these can be attributed to a lack of confidence or clarity when it comes to understanding AI. And, like most conversations around this subject, there is a recurring question – is it a threat or an opportunity?
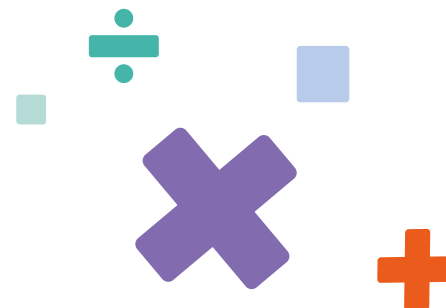
There is an ongoing debate on whether AI is here to take our jobs – and that will probably rumble on for some time. Perhaps the more pertinent concern is around AI's use of data. These reservations should come as no surprise as the industry has typically responded to the integration of technology with caution. Excel was met with resistance when it was first introduced. And it's been a similar story for cloud accounting in more recent years.

The most apt response – as it was back then – is to embrace such change. Much of it is common sense and applying the right level of caution as you would when introducing any new

technology, whether that's at work or at home. It's also worth noting that AI is still in its infancy, and it may get things wrong from time to time.

Teething issues are hardly surprising when you consider the speed at which AI products have been rolled out. Almost overnight, leading software providers launched their own generative AI tech; in some cases, perhaps too soon. One of the most documented examples is the use of chatbots by certain tax software to help streamline customer support operations. Unfortunately, when asked a range of tax-focused questions, a large proportion of the answers were incorrect. The solution became the problem.

Whether you're struggling to get what you need from a product, or worried about how AI might affect your role, the key is to persevere. This technology will only get better, and early product failings will soon make way for even greater efficiencies. As Paul Aplin OBE says, it's a time to be brave and trust your instinct on whether something is the right fit for your firm.
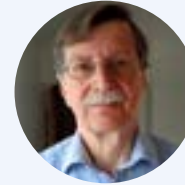
Paul Aplin OBE, MTD and UK Tax Specialist Consultant, Writer

"You put your faith in things when you really have to, and maybe you test them a little bit along the way.

It's a time to be brave. It's a time to exercise some of those old professional skills of judgement, testing, knowing when things are right and when they're wrong."

How to implement AI at your firm

When it comes to actually implementing AI at your firm, it's important to start with a blank canvas. While your existing process may be operational, you must be willing to let the inbound product dictate – or at least steer – what that process looks like moving forward. It's likely that the software in question will go way beyond your expectations, offering a range of functionalities that help solve issues you may not have even realised you had.

Like all technology, there will always be an extended and continued period of learning and experimentation. We appreciate that allocating enough time for those activities is often easier said than done. But it is a pivotal stage in any successful software implementation.
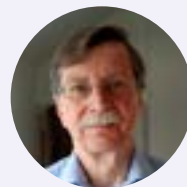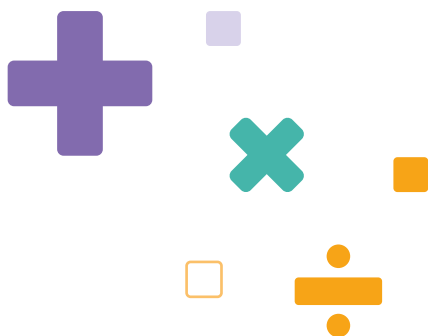
**Paul Aplin OBE,
MTD and UK
Tax Specialist
Consultant, Writer**

"The number of times I've seen people buy a new software package, and the first thing they want to do is make it do an existing process slicker or faster.

They don't think about the other 90% functionality that would actually help enable them to do something completely different. It's human nature."

**Stuart Hurst,
Founder, Cloud 10
Accounting Limited**

"It's very easy, when I look back at all the big transformations like cloud accounting to processing, and now AI, to get trapped into thinking 'this is how we do it, and I'm going to try and fit this new technology into what I'm already doing' – and that will end in failure. It's very much a blank sheet of paper. Play and map a new process with the new technology."

If you're struggling to find the time to familiarise yourself with AI, then try to share the task amongst your team. The more junior members of firms tend to have more time on their hands, and the type of work they're involved in means they're often best placed to spot efficiency opportunities. Once you've established a task force, it's important to allow them a level of flexibility as they research and test. At the same time, hold them accountable by setting clear objectives and a timeline that they can work towards.

Again, while there is plenty of advice online there is no official winning formula. Instead, it is a case of testing out different prompts and requests which might require you to apply a new set of thinking to an existing process. The onus is on you and your team to find out how AI can help you.

How can AI help your practice?

The benefits of AI can be felt across an entire accountancy practice. From strategic level decision-making, to marketing opportunities, client management and more, if applied correctly it can transform the day-to-day running of a firm. To help you see where it might be useful in your practice, we've compiled a list of the most common use cases.
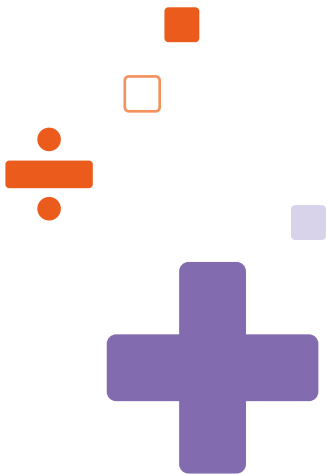
Data Management

1. **Receipt scanning** – a simple yet smart way to capture incoming receipts from clients, giving you greater control and clarity over expense management
2. **Automatic bank reconciliation** – automatically reconcile outstanding payments, receipts and unreconciled bank statement lines
3. **Supplier automations** – Use ML to set up routine behaviours whenever documents are uploaded from specific suppliers

Forecasting

1. **Advanced data analytics** – ML algorithms can analyse large amounts of historical financial data, identifying pattern and trends from which you can better advise clients
2. **Real-time, dynamic forecasting** – AI enables real-time forecasting by continuously analysing new data as it comes in, allowing you to adapt client forecasts in response to changing factors and conditions
3. **Benchmarking** – Use AI matching to benchmark turnover and expenses for your clients both within your practice and across wider market data sets

Risk Management

1. **Error detection** – ML can detect patterns and recognise anomalies like duplicate payments with unparalleled accuracy, saving clients from any substantial financial setbacks
2. **Compliance and regulatory monitoring** – AI can automate complex compliance processes, making it less daunting for you to adhere to regulatory requirements at regional and global levels
3. **Identify suspicious transactions** – Layer your auditing process with ML and programme it to spot suspicious transactions

Business Operations

1. **Document summaries** – AI applications like Chat GPT can decipher data-heavy documents into easy-to-read text
2. **Chatbots** – AI-powered chatbots provide clients with a simple way to communicate with your team and find the answers to questions that don't necessarily require a call or email
3. **AI-generated content** – Leverage software like Chat GPT to produce content for marketing purposes, from blogs to newsletters, emails and more

What is the real impact of AI in accounting?

When we think about the benefits of AI, most revolve around time-saving opportunities and greater productivity, which, admittedly, is so often the case with all types of software.

But, as with any technological advancement – whether that's Excel, cloud accounting or AI – it's always worth unpacking that opportunity even further; only then do we get a full sense of what's possible. Ask yourself, 'what does greater efficiency actually allow me to do more of?' You may find yourself with more time to refine your processes, advise clients or train junior members of staff. Or, perhaps you choose to spend it away from work with your family and friends.

This is a fundamental notion that we should all try to remind ourselves of when faced with any uncertainty around AI's place in accounting. It all comes back to the core functionality: that most technology is designed to assist us and our work. The so-called threat to peoples' jobs is unqualified, at this stage.

**Ami Copeland,
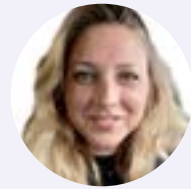CEO at the Institute
of Certified Bookkeepers**

"Even if we start using this in a way that will benefit the businesses we work for, our clients and our teams, I think we will only drive up the value of human interaction."

Who is accountable?

If AI facilitates human intuition, and all the good that accountants and bookkeepers do, then the same thinking must be applied when things don't go according to plan. As the accountant or bookkeeper, you are accountable for the work you do; AI must remain the facilitator.

Accountability is a key talking point around this topic. And, while technology is having – and will continue to have – a profound impact on accountants and bookkeepers' day-to-day work, the buck has to stop somewhere. And, as far as we can see, that will be with people using AI, not AI itself.

**Ami Copeland,
CEO at the Institute
of Certified Bookkeepers**

"You are always accountable, because it is your work." She adds:

"It doesn't matter if it's a trainee, an apprentice, your partner or AI, your name is still on the sign above the door – so you need to be careful."
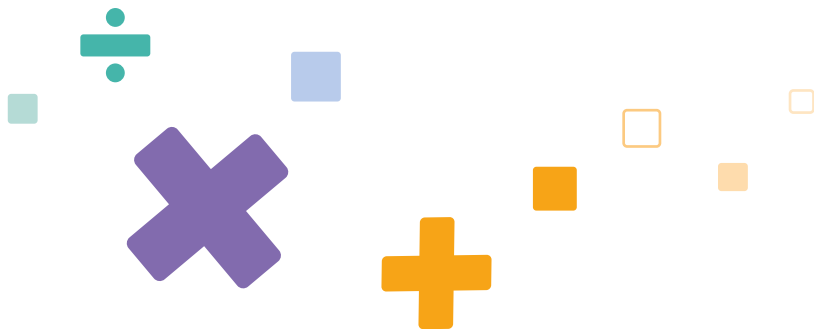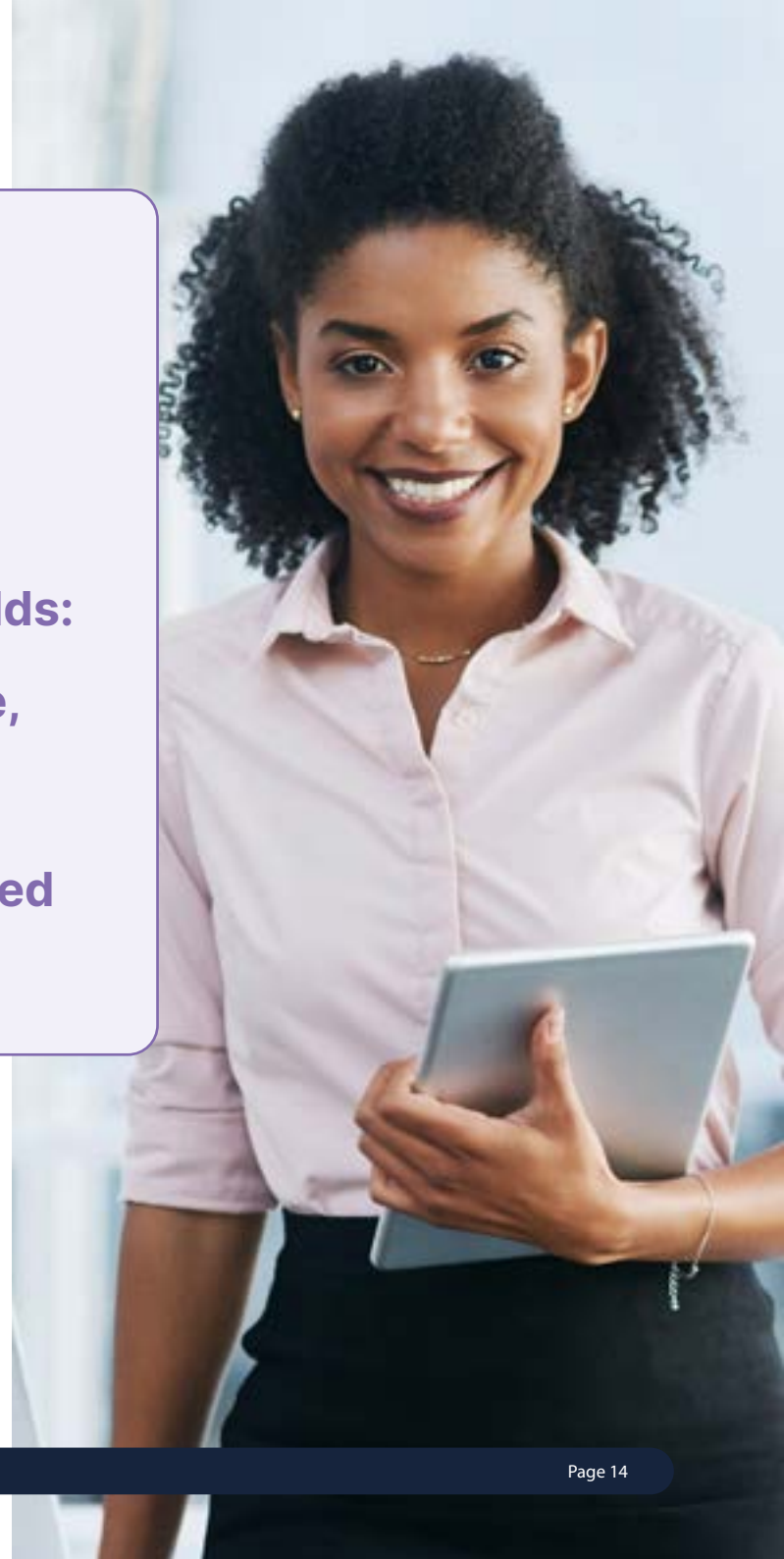
The unique vantage point

Accounting and bookkeeping firms are direct beneficiaries of the AI revolution when you think about the sheer number of new businesses, born out of AI, that will require financial support and guidance. The opportunity, however, doesn't stop there for firms. Just as accountants and bookkeepers have assumed somewhat 'digital advisory roles' when supporting clients with cloud accounting, they now have the opportunity to do the same in the context of AI.

Firms can leverage their own expertise and experience with software, in order to help clients. But they, too, can capitalise on those relationships with innovative, digital-first companies to help firm up their own practices and learn from the best. It is a case of 'give and take.'

**Stephen Edginton,
Chief Product & Technology
Officer, Dext**

"It allows you, in effect, to explore the space through your client base. And then also when you find something that works well, you can share that knowledge and everyone becomes more effective, everyone gets better businesses, you get more clients."

Where does Dext fit in?

The accounting tech ecosystem is vast with hundreds of tools each specialising in a certain area of accounting and bookkeeping. What's more, the rise of AI will only pave the way for more available software in this space. There is a clear direction of travel, and it would appear that large parts of the industry share the same view:

So, where and how does Dext fit into that ecosystem? Put simply, Dext is made up of three products, all of which help to enhance and streamline bookkeeping processes for accounting firms and small-to-medium businesses. While AI may seem like a recent phenomenon, Dext has been involved in this space for quite some time.

As our CEO Sabby Gill explains, "At the core of everything we do is accounting and bookkeeping workflows. We're focused on you, your business and those workflows that operate within your four walls. We're leaders in automated accounting and we leverage AI in everything we do. At the moment, that's obviously very current but we've been doing this for many years."

45%

of accountants and bookkeepers say 26-50% of work is automated right now.

In ten years time,

44%

of respondents said 51-75% will be automated.

> When we think about the application of AI and machine learning at Dext, we try to break it down into three core buckets.

Capture Everything

When we hark back to the original Dext mission statement, much of what we did – and still do – is around the collection and organisation of data. Within the context of AI, the question is how do we continue to improve that core functionality, both in terms of capturing financial and nonfinancial information, through ongoing refinement of our AI and machine learning.

Manage Confidently

Once that data is collected and organised, it's all about making sure the right people have visibility over the correct data. In this instance, how can we lean into AI to help accountants, bookkeepers and businesses manage that data more effectively. Additionally, it's just as important to ensure your client or internal data informs decision-making at every stage of the workflow.

Work Seamlessly

Finally, and perhaps most importantly, are the ways in which Dext integrates with other types of software. As we strengthen our connections with other technology, we ensure our users a simple navigation of different systems, jobs and clients. AI plays a pivotal role in helping those connections take shape, allowing for a more seamless way of working.

How Dext products help you

Our flagship product **Dext Prepare** is the pre-eminent bookkeeping solution. Founded on years of accounting expertise, Prepare incorporates advanced artificial intelligence (AI), machine learning and the most comprehensive integrations across the industry.

What started as a receipt capture tool has now evolved to become a full-scale bookkeeping management system that extracts over 300 million documents a year. It's this level of accuracy and automation that allows our partners to reclaim their time, and leverage data insights that help to drive efficiencies and growth for firms and their clients.
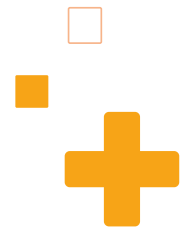
For over a decade, Prepare has set the standard for accuracy, speed and breadth of integrations in this particular area. Today, we are always looking to build on those standards with new product releases and updates through continuous research and investment. It's why over 12,000 accounting and bookkeeping firms trust and continue to choose Dext Prepare.

In addition, **Dext Precision** functions like your internal auditor, ensuring the quality, accuracy, and compliance of your financial data. We also have **Dext Commerce** which specialises in digital commerce and eCommerce, helping you effortlessly retrieve your digital sales data. It has the ability to make the reconciliation process a straightforward task.

Together, Dext provides accountants, bookkeepers and businesses with the tools they need to make accounting effortless and retake control of their own time. We are always looking to invest more in what we see as industry-shaping technology, and there are more feature and product releases on the way. If you'd like to find out more about any of those or the application of AI at scale, click below to book a demo with someone from the team.

Book a demo

Dext

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