

AI in Accounting:

A Deal Advisory Perspective

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- ▶ Associate in the Deal Advisory service line, based in the BDO Christchurch office.
- ▶ 12 years of experience, having joined BDO in 2013 in an Audit role before moving to Deal Advisory in 2017.
- ▶ Advised across a range of sectors, specialising in providing the following services to clients:
 - Financial modelling and forecasting
 - Financial due diligence (both buy side and sell side)
 - Valuation
 - Financing proposals
 - Data Analytics
 - Forensic Investigations


New technology impacting our industry


Access to information and data


 NPL and computer vision for digitising documents


 AI for deriving insights from unstructured data

 API access to external data sources for enriched analysis


 Data standardization platforms for enabling data access


 IoT networks for asset monitoring and data generation


 New imaging tools for capturing on-site physical data

 Blockchain for digitising ledgers of financial transactions


Verifying information


 AI-powered advanced analytics for risk detection and KRI design


 Analytics for assessing data, and error and fraud detection

 Robotic Process Automation for executing repetitive tasks


Protecting information


 Data anonymization for filtering sensitive information


 Virtual data rooms for sharing sensitive files


 Homomorphic encryption for analysing encrypted data


Assessing internal controls

 OCR, NPL and ML for intelligent document and voice analysis


 IA for detecting external threats and risks

 Simulations for scenario-testing controls and policies

 Process mining and computer vision for observing controls compliance

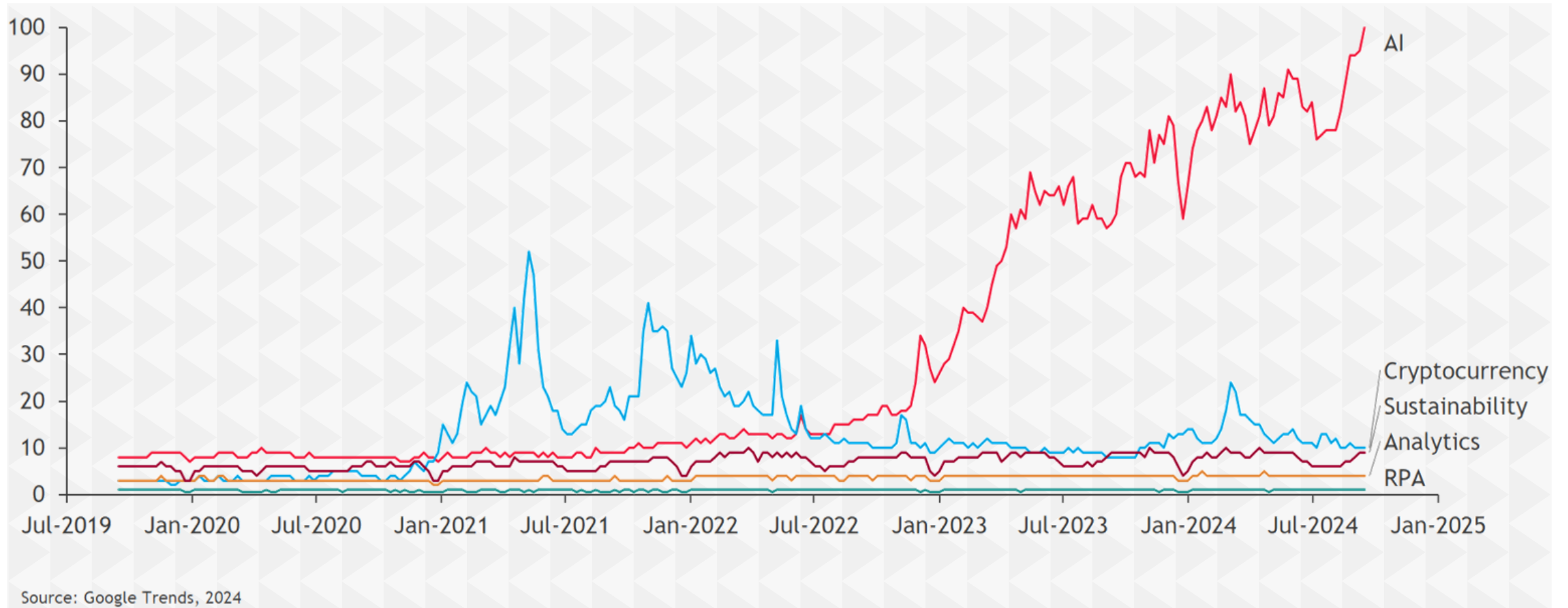
 AI and behavioural analytics for monitoring employee conduct and communications

Other trends

 Regulatory sandboxes

 Behavioural motivators

AI is the key talking point, with interest continuing to grow










So, what is AI?

Artificial Intelligence (AI)

- ▶ Refers to the simulation of human intelligence in machines that are programmed to think and learn like humans.
- ▶ These systems can perform tasks that typically require human intelligence, such as visual perception, speech recognition, decision-making, and language translation.
- ▶ AI encompasses various subfields, including machine learning, deep learning, natural language processing, and robotics.
- ▶ Importance in modern accounting:
 - Routing task automation
 - Enhanced Data Analytics
 - Fraud Detection
 - Predictive Analytics

Typical use cases and applications in finance and accounting

	Use cases		
 GenAI for reporting	<ul style="list-style-type: none"> Accounting standards checks 	<ul style="list-style-type: none"> Finance chatbot 	<ul style="list-style-type: none"> Variance analysis
 AI for process and data	<ul style="list-style-type: none"> Documentation review and unstructured data extractions 	<ul style="list-style-type: none"> Financial process improvement (e.g., reduced manual tasks) 	<ul style="list-style-type: none"> Sample selection based on parameters
 AI for hyper automation	<ul style="list-style-type: none"> Automated categorization and postings based on previous records 	<ul style="list-style-type: none"> Tax preparation 	<ul style="list-style-type: none"> Automated ESG stats collection
 AI enabled anomaly and fraud detection	<ul style="list-style-type: none"> Fraud detection 	<ul style="list-style-type: none"> Journal entries analysis 	<ul style="list-style-type: none"> Timesheet activity analysis and flagging
 AI-driven forecasting and modeling	<ul style="list-style-type: none"> Forecasting combining internal and external data 	<ul style="list-style-type: none"> Customer payment prediction and discount strategies 	<ul style="list-style-type: none"> Market trends analysis and future price predictions

Source: EY, 2024



Challenges and Considerations











- ▶ Data Privacy
 - Ensuring the security and privacy of financial data.
 - Not only internal data, but client data and privacy act requirements.
- ▶ Ethical Concerns
 - Addressing ethical issues related to AI use.
 - Bias, transparency and accountability.
- ▶ Skill Requirements
 - Need for upskilling professionals to work with AI technologies, including data analysis, critical thinking, communication and interpreting outputs.
- ▶ Avoiding Blind Reliance
 - AI use as a tool, not a replacement for experience and understanding

Current Applications of AI

Use-case family	Generative models' current usefulness	Example use cases
Prediction/forecasting	Low	Risk prediction, customer churn, prediction, sales/demand forecasting
Decision intelligence	Low	Decision support, augmentation, automation
Segmentation/classification	Medium	Clustering, customer segmentation, object classification
Recommendation systems	Medium	Recommendation engine, personalized advice, next best action
Content generation	High	Text generation, image and video generation, synthetic data
Conversational user interfaces	High	Virtual assistant, chatbot, digital worker

Source: Gartner, 2024

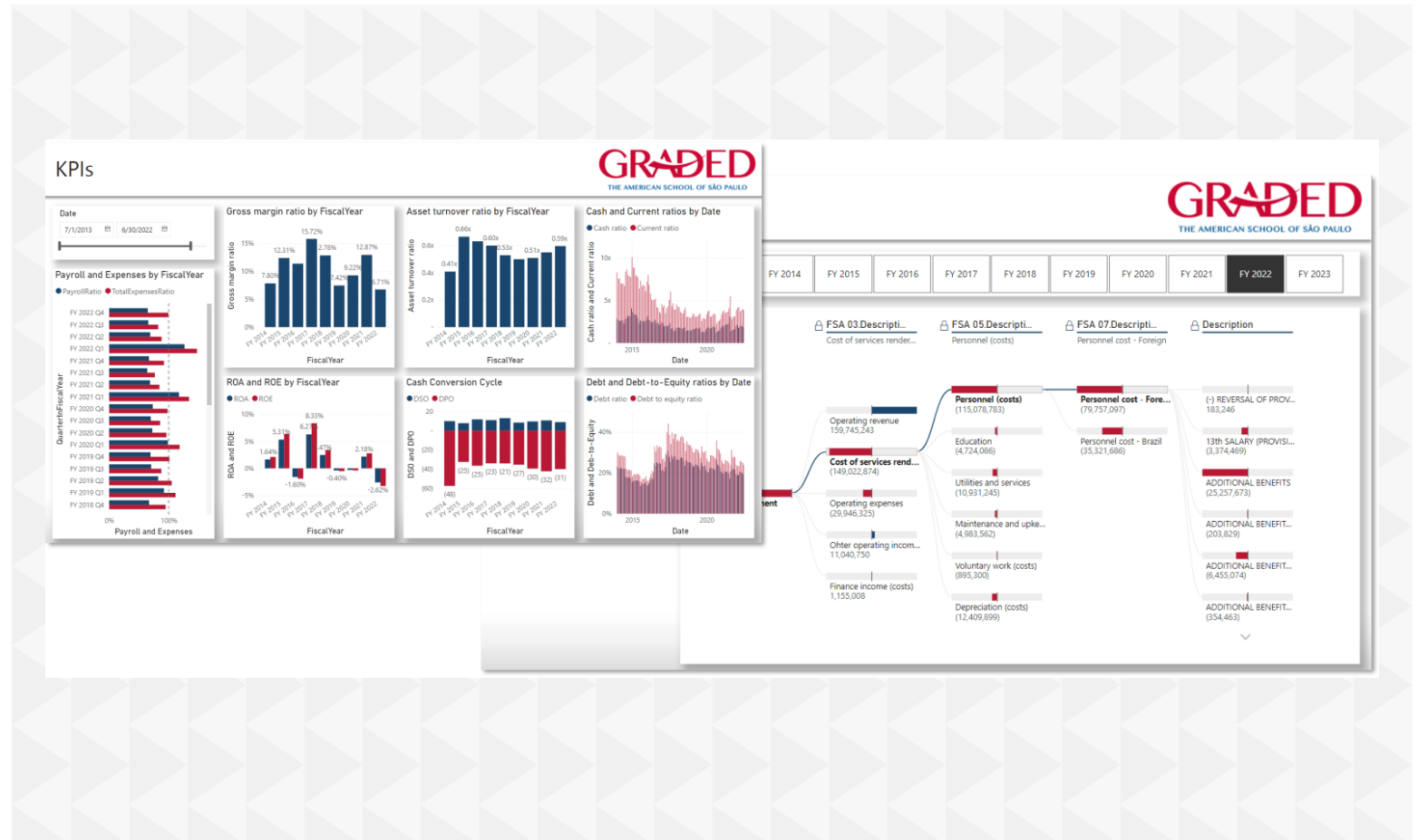
Other current GenAI uses

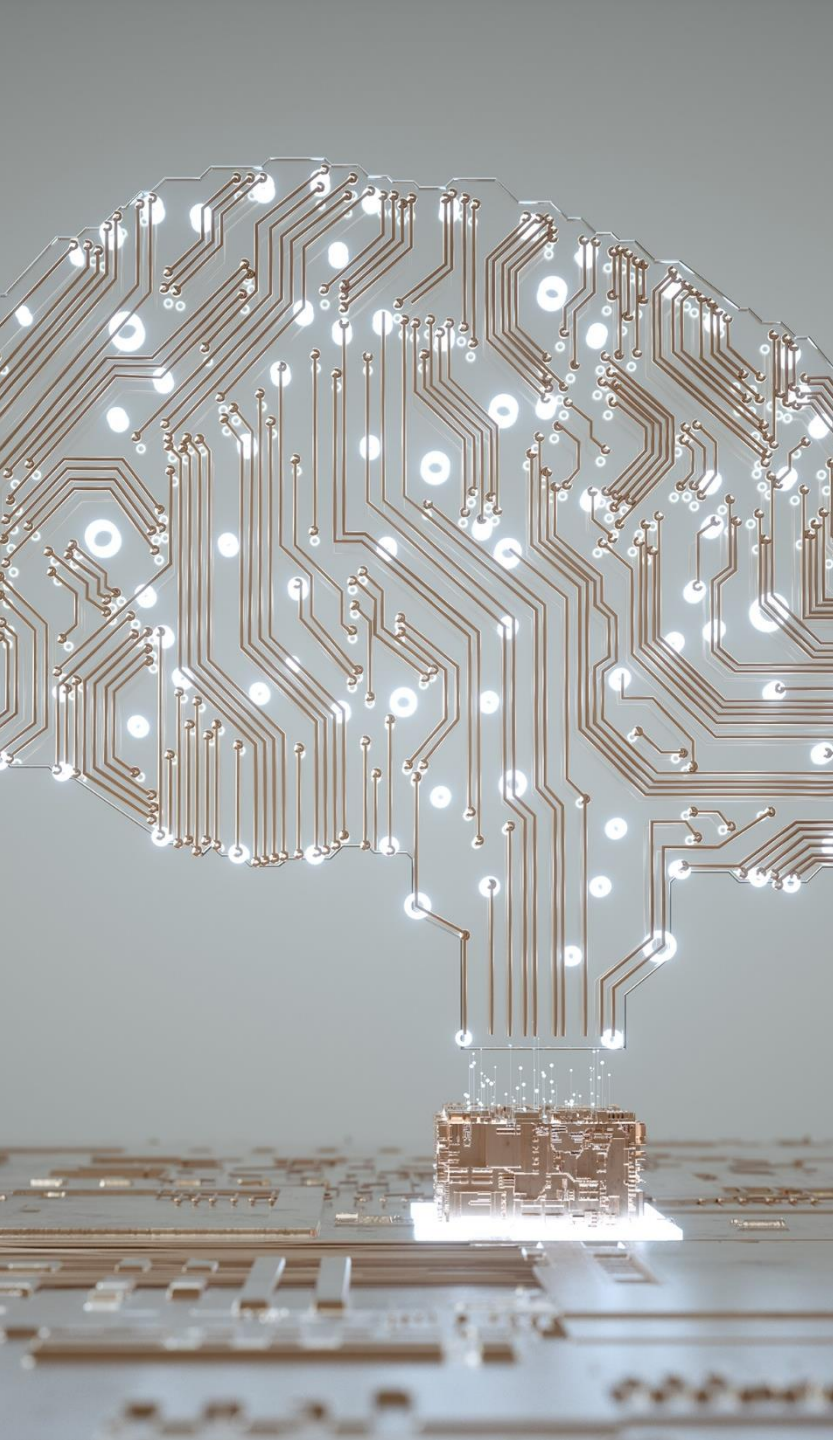
 1 Recap a meeting – let Copilot keep track of key topics and action items so you can stay focused during the meeting and avoid listening to the recording after. → Draft an email with notes and action items from meeting	 2 Summarize an email thread – get quickly caught up to a long, complex email thread. → Click on the Summarize icon	 3 Draft email – personalize the tone and length. → Draft an email to [name] that informs them that Project X is delayed two weeks. Make it short and casual in tone.	 4 Summarize a document – get right down to business by summarizing long documents and focusing on the relevant sections. → Give me a bulleted list of key points from file	 5 Tell me about a topic/project – provide insights and analysis from across multiple sources to get up to speed quickly. → Tell me what's new about topic organized by emails, chats, and files?
 6 Give me some ideas for ... – boost your creativity with ideas for your work such as agendas, product names, social media posts, etc. → Suggest 10 compelling taglines based on file	 7 Help me write ... – jumpstart creativity and write and edit like a pro by getting a first draft in seconds. → Generate three ways to say [x]	 8 What did they say ... – when you vaguely remember someone mentioning a topic, have Copilot do the research. → What did person say about topic	 9 Revise this content – when you've got a rough draft of an idea, turn it into usable text and then vary the length and tone. → Rewrite with Copilot	 10 Translate a message – with business becoming increasingly international, it's important to be able to read or write messages in other languages. → Translate the following text into French:

Examples of how AI is being implemented in accounting

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- ▶ Automated Dashboards
 - Real-time insights, highlighting value drivers
- ▶ Revenue Forecasting
 - Incorporating non-financial data drivers (e.g. cattle's diet, healthcare and farm characteristics)
- ▶ Financial Performance Predictions
 - Variance analysis to predict trends, including financial distress





AI in other Firms

- ▶ AI Audit Platforms
 - Enhanced audit quality and efficiency by analysing large datasets and identifying anomalies
- ▶ Documentation and Contract Review
 - Identifying key terms, suggesting amendments to clauses and ensuring accuracy
- ▶ AI powered communications
 - Internal ChatGPT solutions for commenting on client and sensitive information
 - Learning of staff personas, communication styles and tendencies



Recap and Final Thoughts

Current state of AI usage

- ▶ AI is becoming more integrated, automating routine tasks and enhancing our workflows.
- ▶ AI is on track to transform the field of accounting, particularly in deal advisory. It enhances our efficiency and accuracy, but it is essential to maintain human oversight and understanding.

Looking Ahead

- ▶ In the near term, AI is being implemented with a view to compile, review and summarise data, while helping to check for basic errors.
- ▶ AI will continue to evolve; we anticipate that we will continue to automate more tasks and processes.
- ▶ While AI won't be perfect, by become more integrated into our workflows the intention is to drive efficiency and focus on value-added tasks.

We do not expect AI to replace our jobs, but it is beginning to change the way we operate

