

AI Innovations in Accounting and Auditing Practices

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Abstract

Artificial Intelligence (AI) has made an innovative way to the accountant and auditors to maintain accuracy in accounting and auditing. It is a change in the development of accounting practices, which the world should accept and follow it. AI has transformed not only life of a person but also the whole business in the world. It is a technological drastic change, where we never ignore the applications and implementation in our daily routine and business life. AI has made innovations in all the sectors of economy. This transformation in the field of accounting and auditing practices is made easy practices in the business. This is a descriptive study which based on secondary data reveals the innovations in accounting and auditing practices.

Key words: Artificial Intelligence, transformation, accounting, auditing, application

I. Introduction:

The traditional accounting and auditing practices are reshaped by the use of AI to increase efficiency and accuracy. As the large businesses has to carry out tremendous financial data, which is so complex. AI tools provide accountants and auditors with advanced capabilities to manage vast amounts of data very effectively and efficiently. The way of traditional accounting is now replaced to computerized and digital accounting. Today there are various accounting and tax software's like Tally Prime, GST, SAP etc. are available in the market to get easiness in accounting system. Nowadays, there is a great digital invention in technology like Machine Learning, Artificial Intelligence (AI), Big Data, Chatbot, Robot etc. Most of the companies are updating their operational transactions on the basis new techniques of technology. The speedy work with results is the key for every business.

Today's world is digital world having various inventions in all the sectors of economy. Due to inventions, there is tremendous change in the work culture of individual and business organisations. Most of the companies are getting help of technology not only in operational activities but in office automation. Every business has to record enormous transactions in a day. Book keeping and Accounting is the basis for various business concern as the language of business. Generally, it is said that 'Where book keeping ends, Accountancy starts and Where the Accountancy ends the Auditing starts'. All business concerns have to maintain their books of accounts as per their size and nature of business to reveal financial results.

II. Evolution of Accounting:

Accounting is the language of business particularly it is financial language of all. In the period of pre-2000 B.C the most of transactions were held in barter system. Even those days, people were tried to maintain the record in individual diary (ledger) of transactions done and produce the same as proof when a dispute arose. Bookkeepers were maintained their accounts with single effect till the period 1400s, well known as single Entry system. In 1494, An Italian person, Luca Pacioli published a text book which indicates the benefits of double entry system for book keeping. The said Bookkeeping reached to America with the European colonization called as accounting. Most of the businesses were used for basic calculations. Hence, they didn't need accountants to create complex financial statements and publish their operations and financial

transactions in the form of a balance sheet, income statement and cash flow statement. The importance was given to uniformity in accounting. In England accounting was well recognized as the profession of accounting in 1896 with a title of Certified Public Accountant (CPA). In 1913, there was a beginning of modern accounting system, which included corporate taxes. In 1917, the Federal Reserve published Uniform Accounting, a document that was related to set industry standards for organizing tax reporting and for financial statements. In 1929 due the crash of stock market, there was a great depression caused fraudulent accounting by NYSE listed companies. In 1933 the precautionary measures were taken by audit by public accountants. After that the Securities Act and the Securities Exchange Act passed to get succession. At last Financial Accounting Standards Board (FASB) came into existence in 1973. Today there is transformation of accounting system from traditional accounting to modern accounting, computerized accounting and now the application of digital technology which change the face of accounting into digital accounting.

III. Objectives of the study:

The main objective of this research paper is to study AI innovations in accounting and Auditing.

IV. Research Methodology:

This study is descriptive in nature and mainly based on secondary data. The data and information are collected from various journals, government and professional websites etc.

V. AI Innovations in Accounting and Auditing

Artificial Intelligence (AI) is one of the technological tools which provide accountants and auditors with advanced skills to manage enormous data effectively. The following tools are presented by AI to continue the task of accounting and auditing very smoothly.

AI-Driven Data Analytics

AI-driven data analytics help to process financial data and interpret it. Machine learning algorithms analyse vast datasets quickly, uncovering patterns and trends which auditor or accountant can elude while processing data. AI also helps to identify regularities in income or expenditure items or mismatch in financial statements. It improves financial reporting accuracy and enable proactive risk management. AI has continuous monitoring on various activities, it offers real-time insights into potential risks, allowing organizations to address issues before they escalate. AI-driven analytics automate irregularity detection and generate comprehensive audit trails. It is very important to understand that AI integrate and analyses data from various sources which reflects organization's financial health, supporting strategic decision-making. AI can assess Key Performance Indicators (KPIs) across departments, which helps the management to distribute resources effectively and optimize business processes.

Automated Risk Assessment

Automated risk assessment tool is well known as financial risk management. This tool rapidly processes diverse datasets to identify and manage risks in financial operations. It provides algorithms scan financial transactions, contracts, and operational data to relevant areas of concern as liquidity risks or compliance threats.

Adaptability is the main feature of automated risk assessment. Machine learning techniques allow these systems to evolve with emerging risk patterns and refine their analysis based on new data inputs. Further it ensures risk assessments remain current and relevant, aligning with evolving

regulatory landscapes like the International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles (GAAP).

It is found that this system also incorporates changes related to revenue recognition or lease accounting, maintaining compliance and minimizing errors. It helps to make collaboration between finance teams and other departments by providing a centralized platform to evaluate risk and make reporting. This integration fosters a unified approach to risk management. This system also reveals market volatility or foreign exchange fluctuations, pricing strategies etc.

Fraud Detections

Fraud detection in accounting and auditing is also an innovation made by AI. Artificial Intelligence detects fraudulent activities with a greater accuracy. It analyses transactional data, communication logs, and behavioural patterns which are left by traditional accounting system.

In case of financial audit AI can scrutinize vast amounts of data to uncover complex schemes like procurement fraud or revenue manipulation. This system has predictive future prospects

These systems also offer predictive capabilities. It analyses historical data to identify patterns of past fraudulent activities as well as it can forecast potential future fraud risks. As a result, it is possible to implement preventative measures, like internal controls, employee training programs to reduce fraudulent activities.

Due to the fraud detection, AI helps to auditors in reducing burden of detection of frauds and to complete compliances and reports with proper decisions.

Progress in Financial Statements

AI has made a revolutionary change in the field of accounting and auditing. It has a vast contribution in the preparation and analysis of financial statements. And do the automated work or process to complete the required task of preparation of financial statements with a greater accuracy. AI also helps in interpreting the financial data by using natural language processing. Such process is useful in mostly industries and MNCs as complex transactions. AI helps in preparation of financial statements during merger and acquisitions, current changes as required, forecasting on the basis of historical data.

Machine Learning for Insights

Machine learning is a powerful tool for generating insights within accounting and auditing. It identifies patterns and correlations in financial and predictive analysis for future budgeting and forecasting. It enhances analysis or insight of historical data and external market indicators with greater accuracy.

Improves Quality of Audit

AI overcomes on traditional auditing system and improves quality of audit. It makes more comprehensive and reliable. By automating routine tasks, AI allows auditors to focus on areas requiring professional judgment and expertise, data collection and reconciliation, monitoring on financial activities, minimizing risk, investigation before escalation, cash flow statement and assurance to the stakeholders.

AI-Powered Decision Support

It is the most powerful tool in the hands of management of the organizations of decision-making process in accounting and finance. It provides real-time data analysis and scenario modelling to make a decision and evaluate multiple outcomes for the best choices. AI helps in capital budgeting investment decisions, projection for decision making, allocation of resources etc.

This tool identifies the risk or threats and opportunities to manage the risk in the business. It analyses the market risk, trends, geographical conditions, supply chain impact and developments. On the other hand AI helps in preparation of auditing reports in due course.

Conclusion:

AI is an innovative tool or technique which overcomes all the barriers in traditional accounting and auditing practices. AI is the tool which enhances the quality and effectiveness of accounting and auditing with greater efficiency. It provides quick decisions and analyse financial statements for future projections. It analyses enormous and complex accounting data of MNCs and provide greater opportunities in accounting and auditing practices.

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