AI IN ACCOUNTING (V)

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Introduction: Why AI Changes the Business Model

Artificial intelligence is often introduced in accounting firms as a productivity tool: drafting emails faster, summarizing documents or automating routine checks. Yet its deeper impact is strategic. Depending on their size, client profile and service mix, firms may use AI in different ways to create value, deliver services and sustain their business model.

For small and medium-sized practices (SMPs), this matters especially. They typically operate with limited resources yet face growing regulatory, technological and client expectations. When AI can compress routine work into less time, the fundamental questions become: *What is the firm's distinctive contribution once the "busy work" is reduced? Where should saved capacity be invested? How do we ensure that trust, judgment and quality do not erode in the search for efficiency?*

At the same time, the wider European regulatory environment, notably the EU Artificial Intelligence Act, is pushing all organizations to think more deliberately about how AI is governed, documented and overseen. This reinforces the idea that AI adoption is not merely about tools; it is about how the practice is organized, how decisions are made and how responsibilities are shared between humans and machines.

This AI in Accounting guide therefore focuses on the economics and strategic choices behind an AI-enabled practice. Because no single model suits every practice, it considers how firm size, client profile, service mix and internal capabilities should shape decisions about capacity, services, people, collaboration and measurement.

The Economics of an AI-Enabled Practice

AI can **reduce cost-to-serve**: the time and effort needed to complete a task at a given quality level. Drafting communications, preparing meeting notes, extracting clauses and screening for anomalies may become faster, freeing capacity and reducing direct labour input.

These gains must be weighed against tool selection, staff training, governance, documentation and technical support. Earlier issue detection can reduce rework and missed deadlines, while inadequate review can create errors, complaints and reputational costs. The business case therefore depends on total effort, including oversight and correction.

Some AI-supported workflows can scale without proportional increases in staffing. Depending on their clients and strategy, SMPs may use this capacity to serve more clients, strengthen existing services, improve controls or develop capabilities. No single model will suit every practice.

On the other hand, AI is a new asset for SMPs and firms, one that requires investment and training, and may lead firms to replace some traditional fee concepts with new ones. A separate guide will address this in more detail in relation to the additional value that AI brings.

Making the Capacity Choice

Once AI begins to save time on recurring tasks, firm leaders face an important strategic choice: **where should this freed capacity go?** The way this additional capacity is used can strengthen the firm in several different ways.

One option is to invest in **improved quality**. Extra time can be allocated to deeper file reviews, better documentation, more thorough explanations in client reports or more robust cross-checks on AI-assisted outputs. This can enhance trust, reduce the likelihood of errors and reinforce the firm's reputation.

Another option is deeper client support: explaining business trends, highlighting risks and clarifying regulatory developments. Firms may also deepen their expertise in particular sectors, tailoring support to clients' circumstances and recurring needs.

A third area is **advisory work**. With routine tasks more automated, SMPs can spend more time on cash-flow planning, scenario analysis, investment decisions or financing discussions. Finally, firms can invest in **staff development**: structured training, mentoring and participation in innovation projects that strengthen both technical and AI-related skills.

Capacity should be allocated deliberately across quality, client support, advisory or growth. AI may also help address recruitment gaps. Where roles change, firms should retrain staff and preserve routes into the profession. Choices should reflect the firm's strategy, not arise by default.

Compliance and Proactive Advisory: Choosing the Right Balance

Some SMPs may use AI to complement compliance work with more proactive advisory support. The appropriate balance will differ according to client needs, internal capabilities and strategic positioning. AI can support either direction by making data more accessible and reducing the time needed to prepare summaries and visualisations of trends, anomalies and key indicators.

Timely, organised information can support cash-flow projections, sensitivity analyses and scenarios for investment, financing or staffing. AI can also help explain complex topics, while the professional checks the data, assumptions and relevance to the client.

However, clients can also obtain AI-generated analyses directly, so advisory is not automatically a protected market. Its value depends on understanding the client's circumstances, challenging outputs and translating analysis into appropriate decisions. Firms pursuing this path need advisory and communication skills alongside technical competence; professional judgment and accountability remain essential.

Where appropriate, firms can develop structured advisory offerings such as performance reviews, basic forecasting, financing analyses or discussions around resilience and sustainability. Others may use the same capacity to improve core compliance services, review and client support. In either model, AI prepares and structures information; the professional remains responsible for interpreting and applying it.

People, Skills and Professional Trust

An AI-enabled practice will still depend fundamentally on its people. Although responsibilities will evolve, technical competence, confidentiality, professional judgment and review remain essential.

Partners and owners remain responsible for strategy, risk, quality and decisions about where AI should—and should not—be used. Managers increasingly coordinate AI-supported workflows, including review, consistency and escalation. Junior staff may spend less time on manual processing and more on validating outputs, investigating anomalies and explaining results.

A proportionate review approach can help: AI may draft, summarise and organise; interpretation and recommendations require professional review; and final opinions and audit conclusions must remain with the SMP.

Firms should not automate the learning curve. Junior professionals need strong accounting, tax and audit fundamentals to challenge AI-generated outputs. Staff at every level should check key figures and assumptions, explain their conclusions and escalate concerns. Mentoring, accountability and human judgment become more—not less—important.

Collaborating to Compete: Build, Buy or Share?

Individual SMPs may lack the resources and specialist skills to build or maintain sophisticated AI systems alone. A useful first question is therefore whether to build, buy or share. Building may suit a simple process genuinely specific to the firm; buying is usually preferable when a mature solution already exists; and shared development may make sense when the need is common but the investment is beyond an individual practice.

Professional bodies can support common guidance, templates, training, technical knowledge and controlled experimentation. Whatever route is chosen, clear arrangements are needed for governance, data sharing, responsibilities and investment. The solution must also deliver visible value—for example, more consistent technical answers, stronger research capabilities or time saved on common tasks.

By making this choice deliberately, SMPs can access appropriate capabilities while retaining their independence, professional judgment and local client relationships.

Measuring the Business Case and Taking Action

To ensure that AI integration genuinely supports the firm's business model, leaders should measure its impact and turn insights into action. This does not require complex financial modelling; a set of practical indicators can already provide useful guidance.

Relevant metrics might include turnaround times on selected processes, the frequency and severity of errors detected, the amount of rework, staff satisfaction and perceived workload, how capacity is allocated across compliance, quality review, client support, advisory work and staff development, and client feedback on clarity and responsiveness. Over time, trends in these indicators can reveal whether AI-supported workflows are improving the firm's performance or simply shifting work elsewhere.

Alongside measurement, a simple **decision framework** can help firms choose their path. Leaders can start by clarifying their strategic priorities: for example, "enhance quality and reduce risk," "deepen client relationships," "grow advisory offerings," or "strengthen staff development." The objective is not to move every practice towards the same model, but to support its chosen position. They can then select a small number of AI-supported use cases that directly support these priorities, rather than adopting technology in a scattered way.

Firms can then run a practical pilot: identify repetitive tasks, select a few low-risk use cases, agree review rules, compare time, quality and rework with the existing process, and then keep, modify, stop or scale each application. Collaboration opportunities can be assessed in the same way: do they support the firm's priorities and produce value?

In conclusion, AI's role in the future business model of accounting firms will depend less on the tools themselves than on the deliberate choices SMPs make about capacity, services, people, collaboration and measurement. By treating AI as a strategic enabler rather than just a productivity enhancer, firms can strengthen both their economic resilience and their value to clients.

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