

# Artificial Intelligence And Accounting

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## Executive summary

Artificial Intelligence (AI) is rapidly advancing and is reshaping the world as we know it. Many jobs are being changed and effectively removed, and the accounting profession is no exception. Many accounting roles are being automated, creating opportunities for organizations while also creating challenges for professionals.

AI will be a way for companies to efficiently increase their productivity while also lowering costs, effectively increasing profits. By automating repetitive tasks, organizations can streamline operations and lower costs. While streamlining these tasks, organizations may also replace jobs that were once needed, displacing workers and causing a job shortage. The accounting profession has many repetitive tasks, and many are currently being replaced.

To address these concerns, the government will need to issue new regulations and laws to restrict the use of technology, replacing jobs with profits while also allowing these companies to utilize AI to increase efficiency and lower costs. While AI might not be able to replace these jobs due to regulations, utilizing AI will allow employees to increase their productivity and ultimately the workload they receive, hence reducing redundancies and improving efficiency.

Implementation of AI in the workplace should occur in phases, not all at once. Beginning with the automations of repetitive tasks that are redundant and waste time for employees. Success will be measured through company-reported metrics to the Securities and Exchange Commission (SEC), as these will allow the companies to stay within regulations.

## Industrial Context

Artificial Intelligence is rapidly becoming more prevalent in today's society. The accounting industry is especially taking advantage of this technology and is being transformed with the integration of AI and other technologies in the daily processes. Accounting relied very heavily on manual, repetitive work such as bookkeeping, auditing, and client interaction.

Historically, as technology has progressed throughout the world, it tends to get picked up quickly by companies to increase efficiency and lower costs. This is the same for accounting. Before technology, everything that accountants did was written down by hand, increasing the workload of accountants and lowering efficiency. Ever since computers and cloud-based applications have been introduced, accountants are not weighed down by the filling in of receipts and other such digital items. “One example of a digital application that solves this problem is e-accounting. E-accounting is the concept that internet-based tools can assist businesses in running more efficiently, cheaply, and quickly than they could previously.”(Ii, n.d.) This shows that accountants are now doing less work on paper and utilizing computers more than ever to do many accounting-based tasks while saving the company money in the long run.

AI has grown rapidly compared to other technologies. It took technologies like computers multiple years, if not decades, to be used in some processes, as some didn't trust them. Some people also have the same sentiment towards AI and refuse to work with it. As noted, “Relative to each technology's first mass-market product launch, work adoption of generative AI has been as fast as the personal computer (PC), and overall adoption has been faster than either PCs or the internet.”(*The Rapid Adoption of Generative AI*, n.d.) This rapid growth is largely driven by increased accessibility and productivity gains. With technological shifts and advancements reshaping the workplace, there may also be some other job opportunities for other sectors, such as data analytics.

Stakeholders may include accounting firms, corporate finance departments, regulatory bodies, clients, and other technology providers. These companies and individuals are investing heavily in technology and AI to improve efficiency and lower costs, which may be beneficial to the clients that they serve.

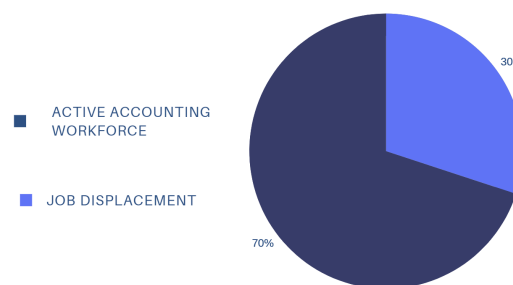
Accounting has many regulatory standards already established under federal regulations and generally accepted principles. For example, the General Accepted Accounting Principles

(GAAP) have been maintained as rules overseen by the SEC for U.S. public companies. With AI being used more in companies with highly confidential information, a need for data protection laws and government regulations for AI based on privacy. There are no laws or regulations currently in place to safeguard American jobs for accountants that may be replaced with AI in the near future.

## Opportunity Analysis

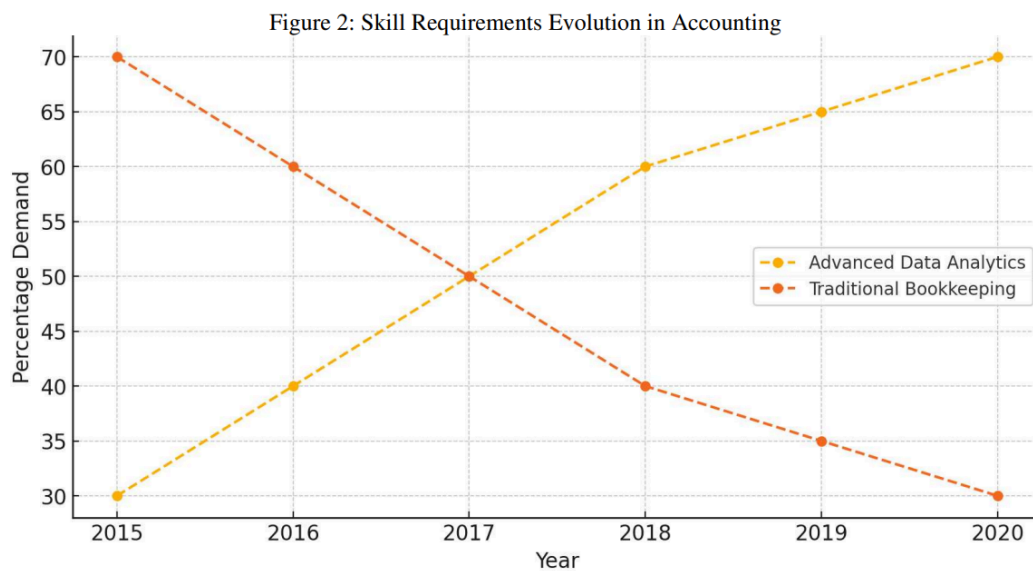
Integrating Artificial Intelligence into accounting companies can create many challenges that can affect many different parties. One major issue is that organizations adopting AI increase efficiency while disrupting the accounting workforce, raising data security and ethical concerns. These AI systems are capable of performing repetitive tasks such as data entry, reconciliations, and very rudimentary auditing procedures. As new tech comes out, other parts of the job may be affected, specifically entry-level accountants who may have just graduated from college. These concerns may also be placed upon accountants, who may have been employed and out of school for some time, and may also be affected, and may require transitions to more strategic roles. That begs the question, if they can't function at the strategic roles, will they be fired?

Although there are findings that AI has been proven to influence job displacement. "Initial analyses suggest that the rise of AI significantly influences JD, resulting in an R-squared value of 0.297. This elucidates approximately 30% of the observed variance." (Rawashdeh, 2023) This means that with AI influence, there is a 30% variance in job displacement, harming new emerging accounting students who would like to break into the industry. Currently, there are 1,579,800 accountant jobs in the United States (*Accountants and Auditors*, n.d.) if 30%



were to be displaced, 473,940 people would be without a job. That study was conducted in 2023; however, in 2026, the percentage may have increased, and without proper data, we can assume that there will be more job displacement in the future.

The graph below also indicates the lowering of specific accounting careers, while not directly being replaced by AI, they are being replaced by advanced users who can interpret data that an AI machine may use. This shift transforms the requirements of the accounting profession, where traditional degree holders haven't learned "data analytics".



Note. Graph representing lower bookkeeping (accounting) demand compared to data-analytics in firms. (Celestin & Vanitha, 2020)

A study was also done on the thoughts that accountants have on the current outlook of AI. Such is that many felt as if they had a sense that they may be fired from their jobs or be displaced. "Statistical results of the study show that 32% of the accounting practitioners have a sense of crisis, 40% of them do not, and 28% of them feel neutral" (Peng & Chang, 2019)

## Recommendation

Fully integrating AI into accounting while also making sure that the risks are met, organizations should integrate AI as a tool rather than a replacement for a human employee.

Processes that are repetitive, such as data entry, reconciliations, and general bookkeeping, may be automated, while accountants can retain their jobs providing oversight for such tools.

Generative AI (GAI) can also be used for real-time market analysis, where it may take employees longer to research. Though this may come with some risks, as we know, GAI has problems with accuracy.

A critical part of the implementation strategy is the cooperation with local state and federal government regulations. With AI rapidly expanding through many businesses, the Federal and State governments should establish regulatory frameworks that can encourage the usage of AI while also making sure that workers are not being treated unfairly or removed from their jobs due to AI. All companies, regardless of size or whether they are publicly traded, should be required to submit a standardized annual report detailing the usage of AI. Any usage of AI must be documented and tracked using the company's systems. These reports will include clearly defined metrics such as the percentage of tasks automated, the extent of AI-assisted decision-making, and changes in employee productivity pre and post AI deployment. Each part of this report should be broken down to ensure transparency and accountability by job role and stature. This report will be enforced by including randomized or periodic audits and penalties for non-compliance.

Government institutions should also enforce ethical guidelines on maintaining a balance between such automation and employee oversight. These enforced guidelines will improve worker satisfaction and reduce the fear of their jobs being replaced by a machine. The government can encourage the use of AI that is ethical by presenting tax benefits or grants for organizations that demonstrate AI productivity gains without workforce reduction. These same companies shouldn't bar new entrants into the accounting profession due to the use of AI. This should allow those who have just graduated from college to not be blocked from entering these companies due to the involvement of AI.

While AI can benefit a company greatly, it can also be quite expensive. Investing in AI

can include server hardware, software for each employee's computer that may require individual licenses, training for employees, and other data protection-based security. While these costs are expensive upfront, the benefits over time will outperform. "Medium-sized and large firms appear to be the primary adopters of these technologies. Specifically, 53% of respondents working in firms with 51–100 employees use AI technologies, while 35% of users work in firms with more than 100 employees. Conversely, only 2% of professionals working in firms with fewer than 10 employees report using AI, suggesting that smaller firms may face barriers to adopting these technologies, such as budget constraints or a lack of specialized resources." (*How the Adoption of Artificial Intelligence Is Changing the Nature of Work in Accounting Firms?* | *IntechOpen*, n.d.) This research shows that many firms, regardless of their size, struggle with adopting AI early.

Integration of artificial intelligence into accounting firms and other organizations should occur in phases, with company adoption before government regulations. This will allow for a 0-5 month period where the firms and organizations can focus on implementation and employee training. While government regulation is expected to take longer, six months to two years, organizations could prepare for what they might expect by limiting the amount of direct change they make. The government timeline will be affected by the legal standards and the time policymakers will take to define the regulations. Each part will require continuous revisions as technology advances.

## Future Impact

With Artificial intelligence continuing to advanced, it will surely be integrated deeply with accounting companies more than we see today. Accounting activities and functions will increase specific roles with the integration of AI, and with the specific roles, we may see basic accounting roles removed. This is a problem with the current industry direction that must be

solved before more people lose their jobs.

Organizations that are successful in fully integrating AI alongside their employees will see a substantial competitive advantage over those who don't. These advantages will include faster reporting with finances, improved forecasting for profits, and reduced costs. Additionally, with the use of Generative AI that has access to the internet may prove to have more leverage as that AI can make real-time decisions based on the current market trends.

Many scenarios emerge when AI is advancing so quickly. With the investment in AI research and gigawarehouses, existing AI infrastructure will become more advanced. These advanced AIs will lead to higher efficiency, leading to increased productivity, lower redundancy for human workers, and improved job satisfaction for accountants.

With the changes mentioned above, the next steps are for organizations to take steps to ensure that they are fully cooperating with the federal and state governments while also maintaining communication with their employees regarding AI and GAI use. Organizations will need to invest in better data storage systems, increasing security for confidential data, especially if it is used by an AI that can access the internet through open ports on the company's network. While some accounting jobs may shift into more focused jobs, there will be a requirement for employees to develop these skills, and these skills may need to be at the cost of the employers. Continuous training and development of employees from a company will be critical for the employees to adapt to the new technological changes that are implemented.

Stakeholders MUST collaborate to ensure that the AI future is not one of ruin. Companies should embrace technological innovation while being ethical in adopting the AI revolution. The U.S. Government should establish regulations that encourage companies to grow while also protecting the rights of workers. By taking these starting steps, the industry of accounting will be protected while also fully utilizing the power of AI.

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