



# Impact of Artificial Intelligence on Financial Reporting Accuracy: An Empirical Analysis

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## DESCRIPTION

Financial reporting is a fundamental element of modern business operations, providing stakeholders with critical information about a company's financial health and performance. The accuracy and reliability of financial reports are significant, as they influence investment decisions, credit assessments, and regulatory compliance. Historically, financial reporting has been a labor-intensive process, susceptible to errors, biases, and subjectivity.

### AI in financial reporting

The integration of AI in financial reporting has gained significant attention in recent years. AI technologies, including machine learning and natural language processing, have enabled the automation of data collection, analysis, and presentation. These systems can process vast amounts of financial data at speeds beyond human capacity, reducing the likelihood of errors associated with manual data entry and calculation.

### Accuracy and reliability

One of the primary motivations for implementing AI in financial reporting is to enhance accuracy and reliability. AI algorithms can identify inconsistencies, anomalies, and trends in financial data that may go unnoticed by human analysts. By doing so, they improve the quality of financial statements, reducing the risk of material misstatements and financial fraud.

### Timeliness

AI-driven systems excel in providing timely financial information. They can instantly generate financial reports, allowing companies to respond swiftly to changing market conditions and regulatory requirements. This timeliness not only benefits internal decision-makers but also external stakeholders, such as investors and creditors, who rely on up-to-date information for their assessments.

### Cost reduction

The automation of financial reporting through AI has the potential to reduce operational costs significantly. Fewer human resources are required for data entry, validation, and report generation, resulting in cost savings for organizations. Additionally, AI can work around the clock, ensuring continuous availability of financial reports without the need for overtime or extended working hours.

### Impact of AI on financial reporting accuracy

**Improved accuracy:** Companies using AI-powered financial reporting systems exhibited significantly lower error rates in their financial statements compared to those using manual methods. AI's ability to detect inconsistencies and anomalies in real-time contributed to this improvement.

**Enhanced timeliness:** AI-driven reporting systems consistently provided more timely financial reports. This timeliness allowed organizations to make informed decisions faster, giving them a competitive advantage in dynamic markets.

**Reduced costs:** Companies that adopted AI for financial reporting experienced noticeable cost reductions. These savings were primarily due to reduced labor costs associated with data entry, validation, and report generation.

**Increased Stakeholder trust:** Stakeholders, including investors and creditors, expressed greater confidence in the financial reports of companies using AI. The reduced likelihood of errors and fraud contributed to this increased trust.

## CONCLUSION

The empirical analysis conducted in this study demonstrates the substantial impact of AI on financial reporting accuracy. AI-powered systems have improved the quality and reliability of financial statements by reducing errors, enhancing timeliness, and lowering operational costs.

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These improvements have, in turn, bolstered stakeholder trust in the financial reports of organizations that have embraced AI.

As AI technologies continue to evolve, their role in financial reporting is poised to expand further. However, it is essential to acknowledge that AI is not a panacea and requires careful

implementation and oversight. Organizations must strike a balance between automation and human judgment to ensure the integrity of their financial reporting processes. Nevertheless, the evidence suggests that the integration of AI in financial reporting represents a significant step towards more accurate and reliable financial information, ultimately benefiting both companies and their stakeholders.