

How ChatGPT will Impact Accounting

7 min read



Automation is one of the biggest disruptors in any industry, and it would seem that artificial intelligence (AI) systems like [ChatGPT](#) are setting out to automate everything from painting portraits, writing poems, and composing hit songs to writing computer programs, giving financial management advice, and filing your taxes.

Key Takeaways

- **Lower Cost:** Perhaps the most important benefit to automation is time and cost savings. With the increased automation that AI stands to offer, businesses that take advantage could benefit from...
- **Differently Phrased Prompts Can Elicit Different Answers:** Depending on how you phrase a question or prompt, the AI will interpret it differently and provide different results...
- **Financial Management and Accounting Help You Can Rely on With Outsourcing:** Although it's not yet time to hand over your back office to an AI robot, you can hand it off to a reputable outsourced bookkeeping and accounting company. By outsourcing your back office, you can...

That's right. AI is already making a splash in the accounting and finance industries, and this article is going to take a closer look at how AI, like ChatGPT, will likely impact the industry.

What Is Chat GPT?

Created by [OpenAI](#) and launched in November 2022, ChatGPT (Generative Pre-trained Transformer) is a chatbot powered by artificial intelligence. OpenAI used massive datasets (the true size of which is currently undisclosed) to create the language model that is ChatGPT.

These datasets included billions of words from websites, books, and articles. This language model created a conversational AI that allows users to ask questions and receive fairly reliable, human-like responses in return.

The chatbot was primarily developed for use in customer service scenarios. Its applications, however, reach far beyond customer response management with the ability to write essays and articles, create art with lyrics and poetry, draft business plans, generate code, and analyze data.

How Will Chat GPT and Other AI Systems Affect Accounting?

It seems to be a certainty that AI systems like ChatGPT stand to change the accounting industry forever. Exactly how it will end up impacting accounting, however, remains to be seen.

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Despite the attention and respect that ChatGPT has already garnered, these technologies are still in their infancy. As a result, they are unlikely to take over all of the bookkeeping, accounting, and finance jobs performed by humans just yet. The reason for this is primarily that the technology is still young which means that its capabilities, limitations, and risks are not yet well understood. These uncertainties are likely to slow the wide and ready adoption of incorporating powerful AI like ChatGPT into all of the industry's processes.

5 Benefits of Using ChatGPT in Accounting and Financial Management

1. More Automation

AI systems can help to further automate repetitive tasks throughout business operations, but particularly in bookkeeping, accounting, and financial management.

2. Lower Cost

Perhaps the most important benefit to automation is time and cost savings. With the increased automation that AI stands to offer, businesses that take advantage could benefit from substantial cost savings.

3. Increased Accuracy

Another benefit of automation is the elimination of room for human error – especially in data entry and calculations. This means that automation greatly improves accuracy, making your financial data, reports, and insights highly reliable.

4. Improved Compliance

AI can also help improve regulatory compliance by being trained to screen large datasets for exceptions. This can improve compliance, save time, and help your business avoid costly fees and penalties.

5. Real-Time Data Insights

With automated data collection and record keeping, AI can also provide real-time financial insights by automatically, efficiently, and accurately generating financial reports. AI could then also be asked to analyze those reports and data to help you evaluate the health of your business, operations, and more to help you make data-driven decisions that will strengthen your business strategy going forward.

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ChatGPT Best Practices – Precautions to Take When Using AI

Chat GPT is currently in its fourth iteration, [ChatGPT-4](#), and it continues to undergo improvements and fine-tuning. This means that the system is not yet perfect. It is not yet infallible. If you plan to use ChatGPT in your business, be sure to take precautions around the technology's current short-comings which include the following:

It Doesn't Clarify Ambiguous Questions

ChatGPT does not yet know how to ask, "What do you mean by that?" This means that if the human user inputs an unclear or ambiguous question that includes language that could be interpreted in more than one way, ChatGPT will not ask to clarify the question. Instead, the AI simply chooses to interpret the question in the way it wants. As a result, the answers it provides could ultimately be answering the wrong question – not the question you had in mind.

Differently Phrased Prompts Can Elicit Different Answers

In addition to ambiguous language tripping up the AI, different wording or phrasing can also elicit different answers. So, depending on how you phrase a question or prompt, the AI will interpret it differently and provide different results. This means, to avoid inconsistent answers and unintentional interpretations, users must be extremely careful and intentional in the way they word the questions and prompts they input into ChatGPT.

[ChatGPT Can't Build You A Smart Back Office.](#)

[The impact of team & technology: what is life like as a GrowthForce client?](#)

Answers or Advice Could Be Incorrect

ChatGPT is not yet infallible, and the answers it provides could be incorrect. With the sheer size of the dataset used to train ChatGPT, it is likely that some of the information it has learned is incorrect or inaccurate, and the AI is not yet always able to tell the difference. While it has been shown to be able to answer some questions from the CPA exam accurately, ChatGPT cannot yet pass the Bar exam.

So, while the answers provided by ChatGPT can be useful in your research, their accuracy should not be assumed and should always be verified.

Incorrect Answers or Advice Might Appear to Be Correct

Although ChatGPT sometimes provides incorrect answers, these answers are usually presented in a complex and highly intelligent manner, making them sound quite plausible even though they are, in reality, fictitious and nonsensical in nature.

So, whether you're asking a question about a company's financial performance or asking the AI to generate code for a program. Thorough verification and testing are necessary – even if the provided analysis or code looks accurate at first glance.

High-Level Knowledge Is Necessary to Know the Difference

The problem with verifying the accuracy of ChatGPT's responses is that, although it does not know everything, it knows an awful lot. As a result, users still require the assistance of highly knowledgeable industry experts to verify the accuracy of the AI's responses.

Answers Might Not Be Helpful

As a result of ChatGPT's limitations, the answers provided by the AI simply might not be very helpful or useful. Whether they are incorrect, almost correct, answering the wrong question, or simply too high-level and complex for a layperson to interpret, ChatGPT is still missing a crucial element in communicating, and that's the ability to discern subtleties and nuances in communication at a human level.

So, OpenAI has taught a machine to learn, and that's a truly remarkable feat, the stuff of science fiction. However, they have yet to teach a chatbot how to be human, and, perhaps, that's for the best (at least until we understand more about this technology and how to control it).

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Financial Management and Accounting Help You Can Rely on With Outsourcing

ChatGPT has proven to be a useful tool, and its applications and accuracy are on a fast path to improvement. As ChatGPT and other AI systems get up to speed, however, it is still the responsibility of humans to do their due diligence and verify the information and analyses they receive from ChatGPT. As stated above, this due diligence (i.e. the ability to discern inaccurate from accurate chatbot answers) often requires an expert-level knowledge on a subject.

Although it's not yet time to hand over your back office to an AI robot, you can hand it off to a reputable outsourced bookkeeping and accounting company. By outsourcing your back office, you can work with experienced professionals to carefully and accurately automate manual processes in a safe, effective, and compliant way. Outsourcing also provides you with access to a team of knowledgeable experts who are available to discern between the nuances and subtleties of accounting standards and industry regulations while verifying the accuracy, reliability, and compliance of your reports.