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ACC220 - BACHELOR OF ACCOUNTANCY (HONS.)

FIELD REPORT :

ADOPTING AI IN ACCOUNTING

PREPARED FOR:

SIR CHE KU HISAM CHE KU KASSIM

PREPARED BY:

NAME	STUDENT ID
AYU ATHIRAH BINTI YUSMINAR	2020462408

CLASS:

TAC2208B

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SECTION A

1. COMPANY BACKGROUND

MTD Project Management Services Sdn Bhd (MPMS) is a subsidiary of MTD Capital Bhd, a prominent Malaysian infrastructure conglomerate. Established in 1984, MTD Project Management specialises in renting, trading, servicing, and dealing in road construction equipment. The broader MTD Group, founded in 1993, has extensive experience in construction, tollway business, and real estate development. Headquartered in Batu Caves, Selangor, MTD Group plays a significant role in Malaysia's economic development through its diverse infrastructure projects and services.

MPMS primarily operates as a trading intermediary between external suppliers and the companies within the MTD Group. MPMS manages suppliers for items such as printing and stationery, mobile phone bills, fuel bills, and medical expenses. Consequently, many transactions occur on behalf of other entities. For instance, when other companies within the group require stationery, they order through the administration department instead of dealing directly with suppliers, as MPMS handles these activities. MPMS then issues invoices to these companies for any transactions conducted on their behalf, simplifying the payment process to a single point with MPMS.

MPMS also plays a crucial role in managing staff salary fees for the MTD Group. This involves calculating the hours that staff members spend working for other companies within the group. MPMS ensures that these hours are accurately tracked and then billed to the respective companies. This process is integral to salary management, as it directly impacts the distribution of costs associated with inter-company collaborations.

Each month, MPMS conducts a thorough review and calculation of these hours, ensuring that all relevant data is considered. The amounts billed to the companies not only cover the salaries but also reflect the value of the work performed by the staff. This systematic approach helps maintain transparency and accountability across the group. Additionally, the previous month's management fees serve as a benchmark, providing a reliable basis for current calculations and ensuring consistency in financial management.

2. BENEFITS PROVIDED BY COMPANY

The company offers a range of benefits that enhance employee satisfaction. Each employee has an individual table with a divider, a comfortable chair, and a storage drawer, ensuring privacy and comfort. Personal cards function as punch cards and access keys, adding convenience and security.

Employees receive a personal computer and printer access, and they can enjoy an entertainment room and gymnasium, promoting a balanced lifestyle. A monthly allowance of RM 500, along with subsidised meals at the cafeteria, supports financial well-being. Access to a fully stocked pantry adds convenience.The work environment is bright, combining a relaxed yet disciplined style, fostering a positive and productive atmosphere.

3. SUMMARY OF WORK DONE

In the realm of financial administration for MPMS, the use of IFCA software plays a pivotal role in streamlining various transactions, including issuing invoices, debit and credit notes, official receipts, and debit advice. This robust accounting tool ensures precision and efficiency in handling financial operations within the organisation.

One of the key responsibilities entrusted to me is the management of monthly management fees. This task begins with acquiring timesheets from each of the 13 departments within the company. These timesheets are crucial as they provide a detailed record of the hours worked by staff members across different inter-companies. These hours are meticulously transferred and keyed into a revised management fee template in Excel. This template serves as a vital tool in calculating the total hours spent, thereby facilitating accurate billing and resource allocation.

Each month commences with a pre-billing process, where actual management fees from the previous month serve as a benchmark. This proactive approach ensures that financial projections are grounded in real data. At the end of the month, after all costs and hours spent by staff have been finalised, a meticulous review ensues to ascertain whether any discrepancies exist—whether undercharged or overcharged. To rectify such discrepancies, prompt action is taken through the issuance of debit notes or credit notes, ensuring financial integrity and transparency.

Integral to my role is also the updating of supplier and trade payable invoices in the IFCA system. This involves recording and meticulously updating invoices received from suppliers or inter-companies, essential for seamless payment processing. Notably, invoices encompassing expenses such as phone bills, which involve several departments, are meticulously separated and coded according to each department's unique requirements within the IFCA system. This meticulous coding ensures clarity and accountability in financial transactions.

Moreover, a significant aspect of my responsibilities includes back charging expenses and claims to the respective inter-companies. This process begins with the identification and gathering of relevant documents aligned with inter-company guidelines. Subsequently, invoices are meticulously issued in the IFCA system, effectively augmenting accounts receivable. Once these invoices receive necessary approvals, they are promptly distributed, and official receipts are generated for all payments received, thereby completing the financial cycle with accuracy and efficiency.

In conclusion, the integration of IFCA software in our financial operations has significantly enhanced our ability to manage and streamline transactions, ensuring accuracy, transparency, and efficiency throughout every facet of financial management. By diligently managing monthly management fees, processing invoices, and conducting thorough reconciliations, I contribute to maintaining robust financial health and operational excellence within our organisation.

SECTION B

TOPIC: ADOPTING AI IN ACCOUNTING

A. INTRODUCTION

In the rapidly evolving landscape of accounting, the integration of Artificial Intelligence (AI) marks a significant leap forward from traditional practices to a more efficient and sophisticated approach. AI has revolutionised how accountants handle repetitive tasks, offering unparalleled opportunities for enhanced accuracy, speed, and strategic decision-making capabilities.(Susan Peter, 2019) While accounting software has become commonplace in modern financial management, the adoption of AI remains uneven, particularly among small and medium-sized enterprises (SMEs). This report explores the transformative impact of AI in accounting transactions, highlighting its role in optimising processes and empowering accountants to navigate the complexities of modern financial environments with unprecedented agility and insight.

Effective record-keeping stands as a cornerstone in the financial management of SMEs, directly impacting their overall performance. Accounting Information Systems (AIS) emerge as critical tools in enabling SMEs to navigate short-term challenges such as costing, expenditures, and cash flow management by providing essential monitoring and control capabilities (Rashid et al., 2018). The research by Muchira (2012) and Maseko & Manyani (2011) underscores that poor financial management due to inadequate record-keeping significantly contributes to the collapse of SMEs. This underscores the urgent need for SMEs to adopt rigorous record-keeping practices and leverage AIS to bolster financial accountability and long-term viability.

B. BENEFITS ADOPTING AI IN ACCOUNTING

Implementing artificial intelligence (AI) in accounting revolutionises operations by automating the registration of accounting books, significantly reducing the time and effort required for data entry while enhancing accuracy (Nurul, 2024). This technological advancement aligns with the increasing adoption of electronic accounting systems across organisations. AI's capability to automate routine tasks such as data entry, invoice processing, and bank reconciliations not only minimises human error but also allows accountants to allocate more time to value-added activities and strategic decision-making.

This transformative shift towards AI-driven efficiencies underscores its role in improving overall productivity and decision-making capabilities within accounting practices.

Adopting AI in accounting represents a transformative shift that not only enhances efficiency but also empowers managers with real-time insights into their company's financial health. As noted by Hajera (2016), this capability enables managers to swiftly assess the organisation's financial position and make necessary adjustments to their business strategies promptly. By leveraging AI technologies, such as automated data analysis and predictive analytics, managers can monitor key metrics continuously and proactively respond to emerging trends or financial challenges. This proactive approach not only improves decision-making accuracy but also fosters agility in adapting to market dynamics, ultimately contributing to sustained business growth and competitiveness in today's rapidly evolving business environment.

AI plays a crucial role in analysing large datasets to uncover patterns and trends, providing businesses with a distinct advantage over their competitors. By utilising AI-driven analytics, companies can leverage historical transaction data to predict future trends accurately. This foresight enables organisations to stay ahead in dynamic markets by adjusting strategies proactively and effectively meeting evolving customer demands. Moreover, AI offers valuable insights into customer behaviour, helping businesses to understand preferences and anticipate needs more precisely. This deep understanding facilitates personalised marketing approaches and tailored services, thereby enhancing customer satisfaction and loyalty.

In addition to improving customer insights, AI significantly contributes to fraud prevention in financial processes. Its capability to analyse vast amounts of transactional data in real time allows for early detection of anomalies and suspicious activities. By identifying potential fraud patterns, AI minimises risks associated with financial misconduct and errors, safeguarding organisational integrity and financial stability. This comprehensive approach not only protects businesses from financial losses but also strengthens trust with stakeholders, reinforcing their confidence in the organisation's commitment to security and compliance.

C. CHALLENGES ADOPTING AI IN ACCOUNTING

Adapting e-accounting poses significant challenges for SMEs and startup businesses, as highlighted by Alshirah et al. (2021c) and Teru et al. (2019), due to the need for advanced computing power and access to large volumes of data to effectively build and deploy AI systems. Overcoming these challenges requires specialised training to equip accounting professionals with the expertise and skills necessary to navigate AI-driven technologies successfully.

Moreover, prioritising effective cybersecurity measures is crucial to mitigate the risks of cyberattacks and unauthorised access to systems, networks, and sensitive data. By investing in both training and robust cybersecurity frameworks, SMEs and startups can enhance their readiness to adopt e-accounting practices securely and effectively, thereby positioning themselves for sustainable growth and competitive advantage in a digitally-driven economy.

The adoption of AI in the business world encounters obstacles rooted in organisational readiness and public trust. Many businesses face challenges due to a widespread lack of understanding and expertise in operating AI technologies, resulting in limited implementation. Furthermore, organisations exhibit hesitancy towards AI investment owing to uncertainties surrounding its benefits and return on investment.

Building trust in AI necessitates demonstrating its capability to enhance efficiency, accuracy, and decision-making across various business functions. Thus, fostering a supportive organisational culture that values innovation and invests in AI education and implementation becomes paramount. By addressing these barriers and cultivating trust, businesses can effectively harness AI's transformative potential to drive operational excellence and maintain a competitive advantage in the digital era.

AI systems heavily rely on extensive data usage, which can pose significant risks, especially concerning the exposure of private and confidential information (Space Coast Daily, March 10, 2024). The quality and accuracy of the data on which AI systems are trained are crucial; inaccurate or incomplete data can lead to flawed results and erroneous decision-making.

To address these challenges, accounting firms should implement rigorous data governance and quality control processes. Regular audits and cleaning of data sources are essential to maintain data integrity. Furthermore, continuous monitoring and updating of AI models with new, high-quality data ensure ongoing relevance and reliability in decision support and operational efficiency. These measures are critical in safeguarding sensitive information while harnessing the potential of AI in enhancing accounting practices.

In today's complex technological landscape, misconduct and misuse of knowledge can result in fraud and embezzlement, often by altering data or programs on computer systems. While many reported frauds have persisted over time, it is likely that smaller, one-time frauds frequently occur but often evade detection (Hajera, 2016). To mitigate these risks, organisations should invest in robust cybersecurity measures to protect data and ensure that only authorised personnel handle critical tasks, such as making payments.

D. IMPACT ON ACCOUNTING

Adopting AI will not replace accountants but will assist and enhance their work. To fully reap its benefits, accountants should leverage AI technology. The World Economic Forum's Future of Jobs Report 2023, which explored job and skill trends over the next five years, highlights that technology adoption and digitalisation will drive both growth and decline in various job sectors from 2023 to 2027. While advanced technology poses a threat to low-skilled accounting and finance positions, it also offers significant opportunities for accountants and finance professionals. The potential for new roles and enhanced capabilities through AI should not be underestimated (IMA report). There are several impact from integrating AI in Accounting field :

a) Boost and accelerate financial closures.

   AI is expected to boost and accelerate financial closures by consolidating data and ensuring accuracy through machine-driven processes. It is anticipated that AI will automate numerous accounting tasks, such as accounts payable and receivable, monthly and quarterly closings, expense processing, procurement, and supplier management. This automation allows professionals to focus on strategic analysis and decision support rather than routine tasks (IMA Report).

b) Efficient Accounts Payable and Receivable

AI-based invoice management systems automate the data extraction process, significantly reducing the chances of data entry errors. This automation enhances inventory control and streamlines payment collection, ultimately saving time and improving cash flow (Hajera, 2016). Furthermore, AI-powered algorithms enable accounting and finance professionals to gain real-time insights through advanced data analytics. These insights are invaluable for informing business decisions, such as identifying emerging trends and optimising strategies, thereby enhancing overall operational efficiency and effectiveness.

c) Increasing Competitive Pressure

The adoption of AI systems represents a significant opportunity for increasing competitive advantage, particularly among SMEs. Ahmad (2024) highlights that in today's competitive environment, businesses are driven to innovate continuously to stay ahead. This pressure encourages entrepreneurs to invest in cutting-edge technologies and demonstrate greater creativity in their strategies. Implementing electronic accounting systems becomes not just a necessity but a strategic move to outpace competitors. By embracing AI-driven solutions, businesses can streamline operations, enhance efficiency, and adapt more swiftly to market demands, thereby solidifying their position in a highly competitive landscape.

Adopting AI in accounting promises to revolutionise operations by automating tasks, enhancing accuracy, and providing real-time insights. This technological shift not only boosts efficiency in financial closures and accounts management but also empowers professionals to focus on strategic analysis and decision-making. As AI continues to evolve, its integration into accounting practices is poised to drive significant improvements in productivity, decision support, and overall business competitiveness.

E. OPINION / RECOMMENDATION

A balanced evaluation of AI underscores its transformative impact on accounting and related fields while recognizing its current limitations compared to human capabilities. AI excels in processing vast data sets swiftly and accurately, significantly enhancing efficiency and reducing errors in routine tasks. However, it falls short in areas requiring human-like intuition, nuanced reasoning, and contextual understanding, crucial in complex decision-making scenarios.

By emphasising AI's strengths in data analysis and automation, accounting practitioners can leverage its capabilities to streamline operations and focus on strategic initiatives. This positive outlook fosters confidence and enthusiasm among professionals, highlighting AI's role not as a replacement for human intelligence but as a powerful tool augmenting human expertise and advancing the field of accounting into new frontiers of efficiency and innovation.

Furthermore, improving proficiency in AI-based accounting systems is crucial for accountants, especially at the entry level, to remain competitive in a rapidly evolving landscape. It's essential for accountants to continually enhance their skills and broaden their knowledge across auditing, taxation, strategic analysis, and other relevant areas. By actively adapting to modern accounting practices and investing in mastering accounting software, accountants can effectively complement AI's capabilities rather than being displaced by it. This proactive approach not only strengthens their professional capabilities but also positions them to leverage AI as a tool to enhance productivity, accuracy, and value-added services in accounting practices.

Next, enhancing education in the AI-oriented accounting industry requires a focus on integrating skills in data analytics and deep learning technologies into accounting curricula. It's imperative for accounting educators to adapt their syllabi to align with current labour market demands and employer expectations from graduates.

This includes developing proficiency in data analysis, understanding AI applications in financial reporting and auditing, and cultivating critical thinking and problem-solving skills essential for future accounting roles. By equipping students with these advanced skill sets, universities can better prepare them to thrive in a technology-driven accounting environment, ensuring they contribute effectively to industry innovation and meet evolving market needs.

F. CONCLUSION

In conclusion, the integration of Artificial Intelligence (AI) into accounting represents a significant advancement towards greater efficiency, accuracy, and strategic insight in financial management. AI's capability to automate routine tasks such as data entry and reconciliation not only reduces errors but also allows accountants more time for higher-level analysis and decision-making. This technological progress is particularly advantageous for small and medium-sized enterprises (SMEs), enabling them to enhance financial accountability and competitiveness in a rapidly evolving business environment.

Furthermore, AI-driven analytics provide businesses with real-time insights into financial performance and customer behaviour, empowering them to make informed decisions swiftly and adapt proactively to market dynamics. Despite the challenges associated with adopting AI, including initial costs and the need for specialised training, the potential benefits outweigh these obstacles. Going forward, fostering a culture of continuous learning and adaptation will be crucial for accounting professionals to effectively harness AI's full potential.

To summarise, while AI enhances traditional accounting practices, it does not replace the role of skilled professionals. Instead, it serves as a powerful tool that complements human expertise, paving the way for more efficient operations and strategic growth opportunities in the accounting profession. As businesses continue to adopt AI technologies, investing in both technological infrastructure and human capital development will be essential to maximise the benefits of AI in accounting and ensure sustained success in the digital era.

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