

AI IN ACCOUNTING: THE PRESENT AND FUTURE FOR PRACTICES



What does AI really mean for your practice?

Artificial intelligence – it's the phrase on everyone's lips. It's changing how practices perform key processes – speeding up admin, and automating tasks altogether.

While AI might seem new, it has a deep-rooted history in accounting, evolving from early fraud detection systems in the 1980s, to the advanced tools that can take care of a range of human tasks.

But, it's been the recent emergence, and accessibility, of generative AI tools, like OpenAI's ChatGPT and Google's Gemini that has people around the world curious about the future. Accountants and bookkeepers are among the curious, with 97% adopting AI in some way. Nearly half (47%) are using AI at least once a week, and of those, one in 12 are using it every day. That's according to independent research commissioned by Xero with Censuswide and the Centre for Economics and Business Research (Cebr).

As the name suggests, Generative AI can create new things – images, text, even computer code. Some people have described it as like having a virtual intern who can help them complete tasks.

This leads us to the central question: What does AI really mean for your practice? How can you use it to address real industry challenges like inefficient processes, talent gaps, time constraints, and complex legislation? AI adoption by accountants and bookkeepers is estimated to have driven a total Gross Value Added (GVA) gain of £1.6 billion across the wider UK economy through efficiencies within practices and their clients. Now, how can you make it work for your practice and clients? In this guide, we cut through the hype to provide a practical walkthrough, showing you how to effectively apply AI as an accountant or bookkeeper.





Key AI applications in accounting and bookkeeping

AI technologies can simulate human intelligence and perform a variety of different tasks. The recent popularity of AI has been driven specifically by generative AI products like ChatGPT, Gemini, and Claude. These tools don't just automate admin – they can create new information and content with a simple prompt.

But, as far as accounting and bookkeeping goes, the value in AI comes from its capacity for making sense of large data sets, analysing financial information, and making predictions.

Our recent [Accounting and Bookkeeping Industry Report 2025](#) shows accountants and bookkeepers see the advancement of AI and other technology as both the biggest opportunity and greatest challenge facing the industry. In fact, 29% of accountants and bookkeepers rank advancements in AI as their biggest opportunity.

The best thing you can do to make AI work for you and clients is to understand the different applications and explore the ones that can have the most impact in your practice.

Here are some examples:

Process automation for data entry and reconciliation

Repetitive admin tasks are time-consuming. They prevent practices from delivering more valuable services for clients. Unfortunately, though, admin tasks are an essential part of good accounting. Complete and accurate records are the foundation of every tax return, so you need to get data entry and reconciliation right.

AI is great at dealing with huge amounts of data. Tasks such as scanning through transactions to find statement line matches are easily taken care of by AI, as well as some basic financial analysis. In fact, Xero independent research with Censuswide and

the Cebr found that 54% agree AI has saved their practice time on day-to-day processes.

Some AI-powered tools can extract transaction information from receipts, bills, and invoices, and upload these as statement lines in accounting software. This saves practices from manually typing in transaction details and risking error.

You can use the time to focus on complex tasks that require human judgment, critical thinking, and learned expertise instead.

Financial analysis, reporting, and predictions

AI tools can work through large datasets to spot trends, patterns, and potential risks. Instead of having to gather the data and plot the charts and graphs yourself, modern accounting tools can generate reports, predictions, and financial analyses for you – based on live data.

When it comes to getting a glimpse into the future, there's no better option than AI-driven predictive analytics tools. These tools use past data to predict future outcomes, and can help your clients make smarter financial decisions over time. Some of these tools can offer actions and tips based on reports and projections, to help keep clients on the right track.



Fraud detection and risk management

AI can analyse huge datasets quickly, without sacrificing accuracy. It's great for spotting errors and anomalies in data that might go undetected by humans.

It also makes fraud detection less-time consuming, and enables you to focus on the handful of transactions that could be signs of suspicious activity. AI can analyse customers, transactions, and any other data type to detect fraud. Some systems use

machine learning that means they make better assessments over time, by learning from past data.

Traditional fraud detection methods sometimes generate false positives, but AI tools can identify fraud with precisions. This means you'll spend less time and money investigating false positives, improving accuracy, and reducing the risk of error or fraud.

Client management

Accountants and bookkeepers need to be able to effectively nurture relationships. AI can help you do this – but it's all about balancing technology with human empathy.

Using AI in your client management and service isn't about replacing human connections, it's about strengthening them. AI can help you professionalise your communications and give clients the right answers every time.

For example, it's possible to train AI tools on your onboarding information and practice process knowledge, so that when a new client joins you and requests information, the AI tool can send them learning materials, checklists, and resources.

Small tweaks to your processes and systems could help you reduce the cost of services, and pass on savings to clients. Xero's research with Cebr found that clients have gained £1.1 billion in Gross Value Added (GVA) thanks to these price reductions.

Customer Relationship Management (CRM) systems with AI are especially helpful here. You can set them up so that AI can send resources and information to clients at the right stage of onboarding. AI can also analyse customer and prospect data, nudging you at the right time to follow up with clients or reach out to connections who could be at risk of dropping off.

Marketing

Doing the work is tough enough without having to market your practice, too.

AI can be a valuable partner in your practice marketing, offering support with content creation, idea generation, and building a basic strategy.

Generative AI models make excellent ideation partners. You can prompt these models with

a few lines about your practice, client base, and marketing goals, and it can create content ideas for social posts, blogs, or even physical marketing materials.

For example, you could ask the AI to help you come up with blog post ideas based on local tax laws. The AI can send you a list of ideas to filter through and refine, and you can use these as the basis for your blog writing.

Benefits of AI for accounting practices

The accounting industry faces a [growing talent gap](#), mounting workloads, and constant regulatory changes. Practices must achieve more with less.

Xero's research with Cebr and Censuswide showed practices using AI have reinvested, on average, nearly half of a 40 hour working week back into their businesses – with approximately 46% of firms across the sector experiencing productivity gains from AI. Meaning, your practice could finally have the capacity to take on larger, more technical tasks that usually have to be left by the wayside.

AI offers a real opportunity to take the pressure off your team and enable them to focus on meaningful work. More than three quarters (76%) of practices have changed their hiring strategy due to AI, with Xero's research with Cebr and Censuswide revealing many are prioritising creativity (61%) and communication (63%). With this in mind, practices could be able to offer more meaningful and engaging work to potential recruits, now that technology lifts the administrative burden.

Here are some additional benefits of AI adoption:

- **Time-savings:** By automating tasks like bank reconciliation, invoicing, and data entry, you can find extra hours in your day and put them to work elsewhere. Cutting down on non-billable time will give you more time for all the things you've wanted to do in your practice.
- **Increased accuracy:** Repetitive admin is time-consuming and energy-draining. AI can take care of these tasks at a consistently high standard, quickly and accurately.
- **Improved decision making:** AI can give you real-time insights on practice and clients' financial performance, so you can make better decisions and give tailored advice based on the most up-to-date information.
- **Stronger client relationships:** With AI tools giving you access to reliable information and insights, you can use this to bolster your advisory services. And, the better your advisory services, the stronger your client relationships and more meaningful your impact is on their businesses.
- **Competitive advantage:** Trends in technology affect your clients too, many of whom might be looking for a practice that knows how to make AI work for businesses. Over a third of practices (36%) using AI say the benefit is that it helps them stay up to date on trends, research, and best practice, according to Xero's research with Cebr and Censuswide.

How to properly implement AI into your practice

There are multiple layers to every practice – just like a house. To ensure your house is still sturdy and loved by clients and team members alike, you might find you need to renovate it for this AI future.

We can split the house into four layers:

- **Foundations:** your purpose and vision
- **Framing:** your key processes
- **Fixtures and fittings:** your core technology platforms
- **Furnishings:** your client experience and engagement

The **foundations** are your purpose, principles, and goals. It's worth checking if these still hold in a changing world. Any AI 'renovations' you need to make should be built on solid foundations. So, review your practice vision and consider how AI can support your purpose.

Set some principles for using AI responsibly. Think about whether your practice meets what clients value most (you can ask clients for their thoughts on this too), and consider whether automating tasks with AI could enable you to set more ambitious goals – for upskilling, advisory, or education services.

A house also needs strong **framing**, to keep the structure sturdy. Your practice framing encompasses all the processes you use to keep things running. Map these processes out, and look at where time is wasted or inefficiencies slow you down.

From here, you can highlight the ones that are automatable – things like bank reconciliation, invoice processing, and reporting, and find tools that reduce these efforts. Any extra hours you gain from speeding up tasks can be reinvested into strategic, high-value services instead.

The **fixtures and fittings** in your house are your software platforms. It's the accounting system, practice management software, and apps you use for team and client processes. This is where your team will be spending a significant amount of time getting the work done, so small upgrades here can make a huge difference.

It's worth reviewing whether the systems and software you use to store and manage client data are secure, robust, and fit for an AI world. You should also look at connecting up your systems, so that data flows between them and you don't need to duplicate work across platforms. Do a deep dive into your existing software – are there new, AI features that could save you time and improve your processes, that you haven't had a chance to explore yet?

The last part is the thing that makes you practice distinctive: your **furnishings**. It's how you speak to clients, your channels of communication, the way you deliver advisory services. You can give more time to the important conversations, by automating routine communications like compliance updates and reminders with AI. AI can also help you surface insights from client data to discuss in your advisory sessions, and present financial information in a more meaningful and engaging way.

The final piece of the puzzle is balancing your new AI renovations with human judgment, critical thinking, and empathy. Achieving

this balance is what helps you provide a distinctive, human service – one your clients will want to stick with for years to come.

Key considerations when adopting AI

Before getting stuck into your renovation project, there are a few final points to think about:

- **The right tools and software:** Generative AI programs like ChatGPT, Gemini, and Claude can be used for research and generating text and images. But, AI is also accessible through some modern accounting software providers – like [Xero](#). This means you can explore AI tools from inside our simple to use accounting software.
- **Data security and privacy:** Some AI models use your data for training. You need to consider whether the information you're using is private and confidential, before uploading it to an AI program. Check your data protection policy and do your research on whether the model uses your data (you might also be able to switch this off). At Xero, your data security is our priority. We protect your data with multiple layers of security, ensuring it's safe and available whenever you need it.
- **Upskilling and training:** As with any new technology, you and your team need to practice and experiment with AI to understand it best. A lack of training is one of the top reasons (36%) why practices aren't adopting AI. Training can also help you reduce resistance, and prove how AI can be a partner and not a replacement for your team.
- **Ethical considerations:** AI tools signal profound change, and that can be worrying. Talk to your team about using AI, and be sure to position it as something that augments human skills – not replaces them.
- **Technical changes:** It's important to integrate AI into the existing software tools you use for a seamless transition. When AI is a cohesive part of the process, it's easier to see it as an opportunity and find value in the efficiencies it can bring.
- **Financial constraints:** Xero's research with Cebr and Censuswide revealed nearly a third (31%) of practices aren't using AI more because of budget concerns. Instead of paying for a separate AI subscription, finding software that meets multiple purposes, or accessing AI through your existing software subscriptions could be more affordable. You may also find that many AI tools offer free versions to trial when just starting out.
- **Lack of strategy:** Xero's research with Cebr and Censuswide also showed concerns about a lack of client benefit (31%) and what they might feel about AI use (29%) puts practices off adopting the technology. The best thing you can do is be upfront with your clients, set goals for AI use, and monitor accordingly to make sure your team and clients are getting positive benefits out of it.





How to use Xero AI in your practice

Xero's cloud-based accounting and payroll software has been using AI for years. And, we're still building and evolving our AI systems to enable modern accountants and bookkeepers to do more.

Here's how Xero is using AI so you can do more with less:

Automated bank reconciliations

Our bank reconciliation predictions use AI and machine learning (a form of AI) to predict the best match for statement lines, helping you complete reconciliations faster. The feature uses data, algorithms, and machine learning to match and code transactions. You'll still have to accept the reconciliations yourself, but this feature helps speed up the whole process.

Financial reporting

[Syft Analytics](#) also gives Xero users access to predictive analytics, through reporting and forecasting features that help you see what's up ahead. So, you're not having to guess what's coming around the corner, Xero uses live data to make informed decisions about your future.

Syft Analytics gives practices more ways to support clients, including the following features:

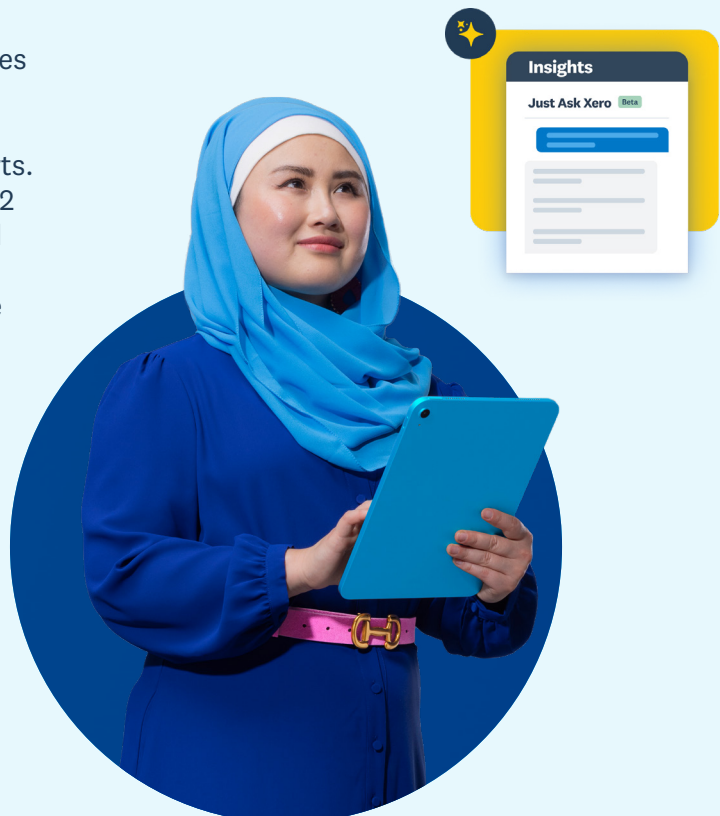
- Bespoke reports and dashboards so you can give clients the information they value most
- Effortless consolidations across platforms, entities, and currencies
- Practice-level insights on all client performance so you can see everything at a glance
- Cash flow forecasts for up to four years into the future (for long-term client planning)
- Custom KPI metrics, scorecards, and benchmarking to measure what matters
- AI summaries and insights that give you and your clients a fresh perspective on the data
- Fast, collaborative management reporting with templates, automated scheduling, and interactive views

Just Ask Xero

Plus, we're expanding the capabilities of [Just Ask Xero \(JAX\)](#), our new AI business companion. JAX learns how your practice runs so it can offer you personalised support; automating tasks and processes, sharing financial insights to help you and your clients make decisions, and taking care of tedious tasks so you have more room to focus on your clients. All with the security, privacy, and expertise you'd expect from Xero.

JAX can help you and your clients get tasks done quickly and accurately:

- Find, create, and keep on top of client invoices and quotes. Get quick answers to questions about invoices and quotes, such as how much is owed. And, create invoices faster for clients by using newly integrated inventory item codes, saving you time and reducing errors.
- Get real-time updates and insights on your clients' financial performance, including recommendations on how to improve cash flow, or comparing interest rates across bank loans.
- JAX can also bring you answers from across the web, through our partnership with OpenAI. Get information from HMRC through JAX, or research from the broader internet to understand industry trends and insights. With a unified view across Xero software, connected apps, and the web, JAX can spot opportunities and obstacles you might otherwise miss. Get instant access to key client data, like cash flow, profit and loss, and balance sheet reports. Ask for a gross profit trend for the last 12 months, and JAX will present visualised charts and tables for you. Share these visualisations with your clients for more proactive financial decision making.
- Answer all your top questions about using Xero. Get quick and accurate answers to common questions from Xero Central, ensuring you get exactly the information you need, when you need it.
- JAX doesn't just answer questions – it can work alongside you, automatically completing tasks. JAX will automate manual admin tasks and processes like data entry, bank reconciliation, and getting paid with accountant-level accuracy (and of course, your oversight).
- Create invoices quickly through SMS or Whatsapp while on-the-go. Or, forward an email to JAX to instantly create a quote. Just Ask Xero anytime, anywhere.



What's next for AI in accounting?

Accountants and bookkeepers play an essential role in helping clients run financially healthy businesses. A key part of that is getting the numbers right, but the rest is helping clients understand their data and make better financial decisions.

The hard-won knowledge and experience of seasoned accountants and bookkeepers can't be replaced by AI. But, repetitive admin tasks so often keep practices from spending real quality time with their clients, developing a better understanding of their businesses, and providing value through advisory. So, embedding AI into your processes can help you do more of the work you love, and give clients services they value.

As AI becomes deeply integrated in practices, accountants and bookkeepers will earn back time that was previously spent on repetitive tasks, and be able to use this elsewhere. With AI supporting you in getting accurate numbers and information, you can help clients with deep analysis and advisory that combines data and experience.

The better the data, the better and more accurate your advisory and insights could become. Running a healthy business is often about preparation – being ready for cash flow gaps, knowing what's on the horizon, and having the ability to adapt. Combining AI number-crunching with your own predictions and analysis, you'll help clients make better decisions for their future.





Making AI work for your practice

AI can feel overwhelming – like an enormous step into the unknown. But, going into this future by using AI tools in cloud-based accounting software can make this feel less like a leap of faith and more like a confident step forward.

Over 44% of accountants and bookkeepers report that adopting or switching to cloud-based software has increased their practice efficiency, according to our [Accounting and Bookkeeping Industry Report 2025](#).

Practices on cloud-software experience increased client satisfaction (87%) and more time to focus on practice growth (86%), too.

And, there are even more positive impacts to come, with AI tools designed for practices and small businesses – like JAX. Xero makes it easy to embrace AI at your pace, with features that compliment you and your teams' skills, and help you serve your clients better.

**If you're interested in learning more about
cloud-based accounting and payroll software
with seamless AI-integration, you can
[find more information here](#)**

**If you're not yet a Xero partner, join over
250,000 accountants and bookkeepers using
Xero in their practice.**

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About the research and methodology

The figures in this report are based on research commissioned by Xero and conducted by economics consultancy, Cebr, and market research firm, Opinium, who conducted an online survey to understand how practices are using AI and the value it is delivering. The survey was run between 22nd August - 29th August 2025 and questioned 515 accountants and bookkeepers who work in a practice with turnover up to £500 million within the UK. Responses were collected from a mixture of job roles and individuals with various decision-making responsibilities.