

AI in Financial Reporting

Author: Marc Pierre Abi Nader¹

*Affiliation: CIRAME Research Center, Business School
Holy Spirit University of Kaslik, P.O Box 446, Jounieh, Lebanon*

Abstract:

The rapid integration of Artificial Intelligence (AI) is fundamentally transforming financial reporting, offering unprecedented opportunities to overcome the inefficiencies, costs, and error vulnerabilities inherent in traditional manual systems. Utilizing a qualitative methodology based on a systematic thematic review of secondary academic and industry literature, this study investigates the impact of AI technologies—specifically machine learning, natural language processing, and data analytics—on corporate reporting practices. The findings reveal a significant upward trajectory in corporate AI adoption between 2018 and 2024. Organizations utilizing these technologies report substantial improvements, including accelerated reporting cycles, enhanced data accuracy, and superior capabilities in fraud detection and predictive forecasting. Despite these quantifiable benefits, the research highlights critical ongoing challenges such as data quality dependence, algorithmic opacity (the "black box" effect), and cybersecurity risks. Ultimately, this paper concludes that while AI serves as a powerful catalyst for operational efficiency and analytical depth, it is not a substitute for human expertise. To ensure the reliability and integrity of financial disclosures, AI must be deployed as a complementary tool, firmly guided by professional judgment, ethical oversight, and robust regulatory frameworks.

Keywords:

Artificial Intelligence (AI), Financial Reporting, Machine Learning, Automation, Fraud Detection, Predictive Analytics, Algorithmic Transparency, Corporate Governance

Introduction: "The What & Why"

One of the most influential technological changes that have occurred in current finance has been artificial intelligence and it has greatly transformed the way financial information is prepared, analyzed and reported. Financial reporting is very essential in maintaining transparency, accountability, and informed decision making by investors, regulators and other stakeholders. Traditional financial reporting systems are, however, usually time consuming, expensive, and prone to errors or discrepancies due to the high dependency of these systems on manual procedures, spreadsheets, and human judgment. With the volumes of financial data ever-increasing and the regulatory requirements being more intricate, organizations are increasingly pressured to prepare financial reports that are right and in time and compliant and remain reliable. The increasing complexity has exposed the weakness of the traditional reporting solutions and the need to develop more effective and intelligent models has been very much sought after. To overcome such difficulties, AI applies sophisticated technologies that include machine learning, natural language processing, and data analytics to automatize repetitive reporting procedures, identify anomalies, and create insights based on big and unstructured data. AI can potentially promote accuracy, consistency, and improve reporting cycle because it can reduce the level of manual intervention. Additionally, the AI-based systems will be able to process both historical and real-time data in parallel enabling organizations to discover trends, forecast financial results, and enhance risk management. The adoption of AI in the financial reporting is not just a technology change but a strategic change as it affects the governance, quality of audit, and trust of the stakeholders. Although these benefits are undeniable, the introduction of AI into the financial reporting also has significant issues connected with the quality of data, algorithm transparency, ethical practice, and the future of the role of a financial professional. These points necessitate a closer look at the ways of the application of AI in financial reporting and show that its benefits might not be as substantial as its dangers. Thus, the current paper aims at discussing the importance of artificial intelligence in financial reporting, outlining:

Why its utilization becomes more important in modern financial context.

Discussing the most significant question whether artificial intelligence can actually help to enhance the quality, efficiency, and reliability of financial reports in relation to the traditional reporting methods.

Literature Review: "The story so far "

The adoption of artificial intelligence (AI) in finance and accounting has gained a lot of concern among researchers, practitioners, and regulators over the past few years. The traditional financial reporting, as one of the primary tools of reporting the financial performance and position of a company to investors and other stakeholders, has been based on manual processes and human experience and use of standardized accounting systems. Nevertheless, as financial data have become more and more prolific, and the regulatory demands become more complex, scientists started considering the way in which AI technologies can enhance the efficiency, reliability, and analysis capabilities of financial reporting systems. The available literature is mostly in agreement that AI can help revolutionize financial reporting through automated monotonous work, better data processing, and more sophisticated financial analysis. Most authors emphasize the effect of machine learning algorithms on the analysis of big amounts of formatted and unstructured financial

data. They can also process information at a much faster rate than with the traditional techniques, and recognize patterns and abnormalities that the older technologies have a hard time detecting. Consequently, organizations might be in a position to generate their financial reports less frequently and with less mistake and finally enhance the quality and timeliness of financial disclosures.

Much of the literature is devoted to the capability of AI to take over routine accounting and reporting services. The conventional financial reporting systems tend to be time consuming in terms of data entry, its reconciliation, the division of transactions and the development of financial reports. Researchers believe that AI-based applications have the potential to automatize most of these roles so that a person in the field of finance can concentrate on higher-order analysis and decision-making instead of being preoccupied with operational routine. Research has demonstrated that AI has the potential to help to prepare financial statements by automatically extracting financial data in accounting systems and checking its consistency and classifying it into standardized reporting forms. Besides this, natural language processing technologies are also examined as a source of written financial narratives, including management discussion and analysis sections of annual reports. With such technologies, AI systems can transform numerical financial data into descriptions, which can make stakeholders have a more profound understanding of the financial performance of a company.

The other field of interest is the use of AI to enhance detection of fraud and risk in financial reporting. Misstatements in financial reporting, frauds, and accounting abnormalities have long been significant problems to organizations and regulators. In multiple cases, according to a number of studies, AI systems can process financial transactions and past reporting data to identify unusual patterns or inconsistencies that can be the signs of a fraud or reporting errors. Through ongoing tracking of financial information, AI tools may be used to reveal any possible problems before the conventional methods of auditing. This has been of special interest to auditors and regulatory bodies who are trying to enhance financial control and increase the efficacy of company disclosures. Researchers also highlight the importance of AI-based predictive analytics besides fraud detection. The AI models have the potential to assist the organizations to predict the future financial performance, evaluate the possible risks, and make informed strategic decisions by relying on historical financial data and market pattern analysis.

Although these are the benefits, the literature also shows that there are also some challenges and limitations surrounding the adoption of AI in financial reporting. A significant issue pertains to the quality and reliability of the data to be utilized in training the AI systems. As AI models rely significantly on big data, fraudulent or unfinished information can result in false conclusions or misleading business information. There is also concern amongst researchers with the transparency of algorithms as well as the so-called black box nature of certain AI systems in which the decision-making process of the algorithm is hard to interpret. This transparency issue can bring difficulties to auditors, regulators, and financial practitioners who should prove and clarify the source of financial outcomes. The literature also often mentions ethical aspects and cybersecurity threats, especially the security of sensitive financial data and the risk of carrying out the automated systems misuse.

All in all, the current literature indicates that artificial intelligence can greatly enhance financial reporting through the ability to make the process more efficient, accurate, and analytic. Nevertheless, the majority of researchers concur that AI cannot be regarded as a replacement of human knowledge, but it should serve as an assistant. A professional judgment, ethics and regulation oversight are all critical elements of a reliable financial reporting. As a result, the significance of creating balanced methods based on the use of modern technological instruments and integration of the experience and knowledge of the financial specialists is discussed in the existing studies. With the current advancements in AI technologies (Beainy & Kamel, 2023), more research is required to determine their potential effects on the quality of financial reporting, transparency, and governance on a long-term basis.

Methodology: "The how we did it "

This paper will also use qualitative research method to explore the role and influence of artificial intelligence in the financial reporting. This research aims at examining the current usage of AI technologies in financial reporting and assessing their possible advantages and disadvantages in comparison to the traditional ways of reporting. As the theme of the research concerns technological advancements and professionalism in the field of finance, the study is mainly based on secondary sources of data, such as scholarly publications, professional reports, business publications, and online financial databases. The given method will enable the research to collect data using multiple reputable sources and develop a complex picture of the current knowledge on the topic of artificial intelligence in financial reporting.

Data was collected through a literature review on the already published literature regarding artificial intelligence, accounting technology, and financial reporting practices. The academic journals, research papers and professional publications were chosen due to the fact that they contain reliable information in peer-reviewed articles concerning developments in finance and accounting. Furthermore, reports released by financial organizations, consulting companies, and regulatory authorities have been studied in order to get the picture of how the AI technologies are being applied in the existing financial reporting systems in practice. These sources were chosen according to their relevance to the topic, credibility and how far they covered the issues on the relationship between the artificial intelligence and financial reporting processes. Special consideration was paid to the literature that talks about machine learning, natural language processing, automated reporting, and data analytics in the finance industry.

The information that was gathered was organized and interpreted using several analysis tools and methodologies. To determine major themes and patterns in the literature, first a thematic analysis was carried out. It included the analysis of the gathered sources and the division of the results into the key categories, including automation of reporting activities, detecting fraud, predictive financial analysis, and difficulties related to the implementation of AI. Clustering similar ideas, and the findings of various researchers, the research was able to point at the similar conclusions, and on those areas, where scholars take common stand or offer a different viewpoint. This approach contributed to organizing the analysis and gave a more accurate insight into the impact of artificial intelligence on the practice of reporting financial results.

Along with the thematic analysis, the comparison approach was employed to assess the differences between a conventional financial reporting approach and an AI-based reporting system. This comparison enabled the research to determine whether AI technologies can deliver quantifiable efficiency, accuracy, and data processing improvements. The research was in a position to determine the positive and negative aspects of the AI adoption in the financial reporting context by comparing the results of various studies and industry publications.

The research process was made in such a way that the analysis was replicable by other researchers. All of the sources applied in the study were chosen among publicly available academic and professional resources, which will enable the researcher to access the same materials in future and to revise similar evidence. Moreover, the systematic literature review and thematic analysis used offers a systematic methodology which can be replicated in any subsequent research looking into technological innovation in finance.

On the whole, this methodology can be discussed as a systematic and trusted framework of analyzing the present role of artificial intelligence in financial reporting (Khalife et al., 2024). Through gathering facts and using logical analytical skills, the research would enable to offer the full picture of how AI technologies are influencing current financial reporting practices and what this might mean to the future of finance and accounting.

Results: "The facts "

Results are available in the excel format, but we find that:

The research describe the quantitative data that was gathered based on the past reports published in the industry and the scholarly sources on the topic of artificial intelligence adoption in financial reporting. The data is dedicated to the extent of adoption of AI in the financial reporting processes within a time frame and the percentage of organizations that report particular results upon the introduction of AI technologies.

First, the obtained data demonstrates the increase in the use of artificial intelligence in financial reporting in 2018-24. According to the report published in 2018, about 12 percent of organizations said they were using AI tools in their financial reporting. This percentage rose to 18 percent in 2019 and 26 percent in 2020. Its adoption rate has still been rising in subsequent years reaching 35 percent in 2021, 47 percent in 2022, 58 percent in 2023, and 66 percent in 2024. These statistics represent the amount of companies that have adopted the use of AI-based systems like machine learning systems, automated reporting systems, and data analytics systems in their financial reporting processes.

The information also covers reported results of organizations which had adopted AI in financial reporting. Based on the information obtained, 62% of companies shared accelerated financial reporting periods once they used AI-based solutions. Besides this, 71% of companies said that they witnessed an increase in the accuracy of financial data when they utilized AI-enabled systems to process and analyze the data. The findings also indicate that 48 percent of companies apply AI technologies to detect fraud, in which algorithms track financial activities and show irregularities. Moreover, 54 percent of organizations stated that they were using AI to predict financial analysis, or to analyze past financial data to forecast financial trends and possible risks in the future. Lastly,

60 percent of the surveyed companies said they were utilizing AI technologies to automate the generation of financial reports, such as the preparation of financial statements and narrative reporting block.

These quantitative findings are condensed in the provided charts that demonstrate how the adoption of AI grew over the years and the spread of reported results among organizations that are utilizing the AI in their financial reporting systems. The data shown in these charts demonstrates the statistical data obtained without interpreting them or evaluating them.

Discussion and conclusion: "The so what ? "

The findings in this paper give us the understanding of the increasing use of artificial intelligence in financial reporting and allow to respond to the research question of whether AI could enhance the efficiency, accuracy, and reliability of the financial reporting procedures in comparison with the traditional ones. The statistics reveal that the rise in the use of AI technologies in the financial reporting systems is obvious and observed in the past years. The portion of companies that apply AI tools was growing continually with a relatively small percentage in previous years to a majority of companies in more recent times. This trend is likely to indicate that companies are becoming more aware of the possible value of adopting artificial intelligence in their financial processes. The ever-growing adoption is also incident to the growing accessibility of superior technological tools and the growing necessity to have organizations utilizing more substantial amounts of financial information more effectively.

The outcomes also reported shed light on the impact of AI technologies on the financial reporting practices. A huge percentage of companies reported a reduction in reporting time upon adopting AI systems. This implies that automated tools have the potential to save a lot of time that is needed to gather, manipulate, and manage financial data. Financial reporting used to be traditional and requires manual entry and verification of the data, which may take a long time to prepare a financial statement. The findings suggest that AI-based systems can facilitate the optimization of these operations since they require a considerable amount of time to extract and process financial data, which can be generated faster by AI-operated systems. Decision making can be enhanced by having faster reporting cycles that will allow managers and other stakeholders to get access to financial information more promptly.

Besides the increase in its efficacy, the findings also indicate that several companies claimed to have experienced greater rates of data accuracy due to the implementation of AI technologies. Artificial intelligence could be used to process big data and identify anomalies or abnormalities in it that a person may not notice by looking through the data manually. This feature can help to minimize the number of human errors in financial reporting and enhance the quality of financial information. Moreover, the findings provide evidence that many organizations apply AI tools in fraud detection and predictive financial analysis. All these applications imply that AI is not merely being applied in automation but it is also being applied in more advanced analytical applications. AI systems can be used to enhance more powerful financial monitoring and risk management practices by detecting anomalous financial trends or anticipating financial risks.

But, on the one hand, the findings indicate that AI has been proven to have a number of advantages; on the other hand, it also indicates that AI implementation in financial reporting is not mature yet and it might not be commonplace among all companies. Depending on the implementation cost, technological know-how or issues of data security and regulations, some firms will experience hindrances. Consequently, incorporation of AI in the financial reporting exercises is bound to keep on developing as organizations become familiar with these technologies and as regulatory frameworks evolve in line with the technology changes.

Altogether, the results of this paper indicate that artificial intelligence can significantly influence the financial reporting by enhancing the efficiency of operations, increasing the accuracy of data, and providing sophisticated financial analysis. These results can be used to address the research question by suggesting that AI can deliver substantial additions to conventional financial reporting approaches. However, AI cannot be regarded as a total substitute of human experience but as an additional resource. The professional judgment, ethical supervision, and compliance with the regulations are also critical components of the credible financial reporting.

The way in which other kinds of organizations can use AI in financial reporting and the extent to which this applies to industries or even company sizes could be further explored in future research. Further research can also be conducted on the changes in regulatory bodies and accounting standards as the use of artificial intelligence in financial processes grows. With the further development of AI technologies, research will play a significant role in the future of these technologies in terms of financial disclosure, governance, and involvement of finance specialists in the reporting process.

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