Artificial Intelligence is Not Bank Feeds

The best use of our contemporary accounting software is to use it as the business administration and process system. The accounts and GST just happen behind the scenes.

Some businesses are creating their accounts in a process where they only code from a bank statement. Some accountants create the accounts not from the business processes but from the bank records. This isn't the best use of the "intelligence" that we have available to us in our existing software.

Using bank feeds in this way ignores the business process and only notes that someone has been paid, (it's on the statement), and the bank feed brings that into the software for allocation. This system creates the transaction in the software after the event and as a separate process. This technique is great for rescue jobs, (catching up the creation of accounts for a business that is way behind). This technique does use machine learning techniques, (in some cases), by the software observing coding behaviours and recommending what the next code could be. It could apply rules that have been previously set up. One of the downsides is that this accounts creation process is separate to the business processes, therefore every transaction of the business has been performed once when the business process happened, and again when the accounts are being created.

Comparison to Business Process

The business process would have the placement of the order or the receipt of the invoice already in the system. Therefore the obligation to pay the supplier's invoice is already entered into our accounting / business software. We can then control who we owe what and when to pay. A business typically has to pay suppliers by some conscious process conducted by humans. (I don't know of too many businesses that would allow a computer to automatically just pay their supplier's bills, neither should they). We hit a few buttons and indicate to the software to send a payment message to the bank; alternatively we create an ABA file for upload to the bank. The smart software has already allocated the expense when the invoice was received and already recorded the payment in the software when the supplier payment message was sent.

This process changes the use of bank feeds. Bank feeds don't create the transaction; the bank feed verifies what is already in the business records. The smart software looks in the transactions already recorded in the bank and matches the bank feed data to the software. It then looks for anomalies in amounts and would highlight that it can't match the items. It would provide the list of items not already in the system.

In this better use of bank feeds, we have removed a duplicate set of processes. The business did its thing and had already created the accounts. Bank feeds then verified the transaction.

Documents Have to Exist

The possibilities opened up by artificial intelligence in the software also highlight the dissection of responsibilities and expectations by the bookkeeper and business owner.

Unfortunately many are using bank feeds as the sole system for creating accounts. We are seeing accountants jump into using bank feeds as the 'next best thing' and for some it is a massive jump forward in their efficiency.

Instead of manually coding a paper statement and having someone process it into a computer, the bank feed software does that in a fraction of the time. This highlights that the reliance on bank feeds alone to create the accounts is removed from the existence or reliance on the source documents, (invoices and receipts).

The accountants typically have buried in their terms of engagement that it is the responsibility of the business owner to keep all the necessary invoices and records of what has gone on in the business. They use the bank transactions as a means of pulling together the accounts based on assumptions that the records exist.

The bank statement or bank feed alone is not necessarily sufficient documentation. Bookkeepers need to advise the clients of the obligation to keep documents and to retain tax invoices and then agree on who is responsible for ensuring that system is in place. In many cases it is the bookkeeper's responsibility.

Bookkeeping is Not Just Bank Feed Processing

There are commentators and some accountants believing that bookkeeping is dead because they don't understand that we do far more than just code from statements, we actually help the business with all aspects of what they do. When some accountants are saying "We can do the bookkeeping for less", what they are actually saying is, "We can use bank feeds to auto-code the transactions". Our response should be "Well, that would be a step backwards. We already use bank feeds in this business to verify the transactions that were recorded as the business actually conducts their natural business process."

Note: Software should be used as the business tool and the accounting / GST / tax happens as a result. The bank feed should match against transactions already entered. I note there are many accountants and many business owners who could do with bookkeepers to help them to understand the most efficient use of software and bank feeds.

Maybe Bank Feeds is Part of Artificial Intelligence

It is the accounts happening 'behind the scenes' that is the current application of Artificial Intelligence to our world. We conduct the business in the software: we issue the invoices or make the retail sales, we process the payroll, we receive supplier invoices and we make the payments to suppliers. All those business processes conducted in the software are part of us or the business people doing the business which, because of the development of computer assisted processes, is also doing the bookkeeping.

Part of artificial intelligence is the concept of "machine learning". This is described as the machine learning what you would have done manually and processing it for you. Is this "auto-coding"?

Artificial or automated intelligence could help us with better review and certainty. We have been using the basic implementation of computerised processes for years. The next version is the machine/computer learning what our other behaviours have been in the past and then reviewing current behaviour. The machine will also highlight changes, possibly altering or amending transactions, but also reporting things to be checked or anomalies to be accepted.

Related References

  ▪ ICB - Artificial Intelligence and Bookkeeping