

Artificial Intelligence in Accounts Payable



IN THIS ARTICLE

- How Is Artificial Intelligence Used in Business?
- How Is Artificial Intelligence Used in Accounting?
- Can Accounts Payable Be Automated?
- How Does Automated Accounts Payable Work?
- What Is Robotic Process Automation?
- What Is the Difference Between AI and RPA
- How Can RPA and AI Be Used for Accounts Payable Automation?
- What Are the Benefits of AI in Accounts Payable?
- Easy Ways To Introduce Artificial Intelligence Into Accounts Payable
- Artificial Intelligence Can Save Both Time and Money

Artificial intelligence or AI has been the subject of debate recently, with many people associating AI with robots poised to take over the world. The reality of AI is much less dramatic, though no less impressive.

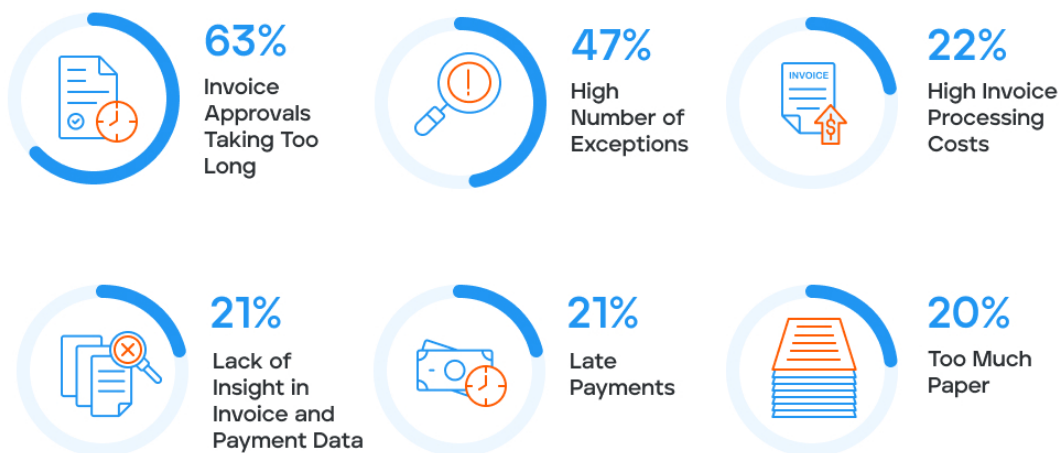
Artificial intelligence is built on the principle that human intelligence can be mimicked by a machine using a set of specific instructions, called an algorithm. Without those instructions, AI would not exist.

AI can be a handy resource for your entire accounting department, but an area where it's been proven particularly useful is the accounts payable department, where invoice processing hurdles remain.

In the State of ePayables 2023, from Ardent Partners, AP teams have identified the following as the top hurdles faced in the payable process:

- 63% said that invoice approvals take too long
- 47% said there were too many exceptions
- 22% cited high processing costs involved in accounts payable
- 21% cited a lack of insight into both invoice and payment data
- 21% had issues with late supplier payments
- 20% thought there was too much paper involved in their current AP process

■ The Top 6 Accounts Payable Challenges



Source: Ardent's State of ePayables 2023

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Automating your AP function using AI will help address these issues and more.

How Is Artificial Intelligence Used in

Business?

From Marketing to operations to sales, AI can be used in many different business environments to reduce time spent on repetitive tasks, improves employee productivity, and enhances customer experience.

It also helps avoid mistakes from manual errors and can be used to detect problems or analyze data. An example many people will be familiar with is the use of chatbots on websites.

Chatbots can be helpful for customers visiting your website or requesting help or some type of assistance. Often, chatbots can be automated to help answer low-level inquiries, leaving your customer service team to deal with more complex issues.

How Is Artificial Intelligence Used in Accounting?

If your accounting software application connects to your bank accounts, that technology is courtesy of AI.

Today, the use of artificial intelligence in newer accounting software applications has helped to eliminate a number of time-consuming tasks that once had to be completed manually.

This includes month-end close and year-end closing procedures by automating the reconciliation process and ensuring that accounts payable accruals are up to date and reversed when necessary.

Popular accounting software applications currently use AI to automatically categorize expense transactions, reconcile bank statements, and generate financial statements, with more high-end applications also offering data analytics and financial insights.

Can Accounts Payable Be Automated?

Because of the number of manual tasks traditionally performed by the accounts

payable team, it's the perfect area to introduce an AP automation application.

AP automation can accept, scan, and process incoming invoices automatically, eliminating the need to enter invoice data manually.

In addition, automated AP systems also match invoices against purchase orders and shipping receipts to complete a 3-way match. They will also automatically route invoices to the correct approvers.

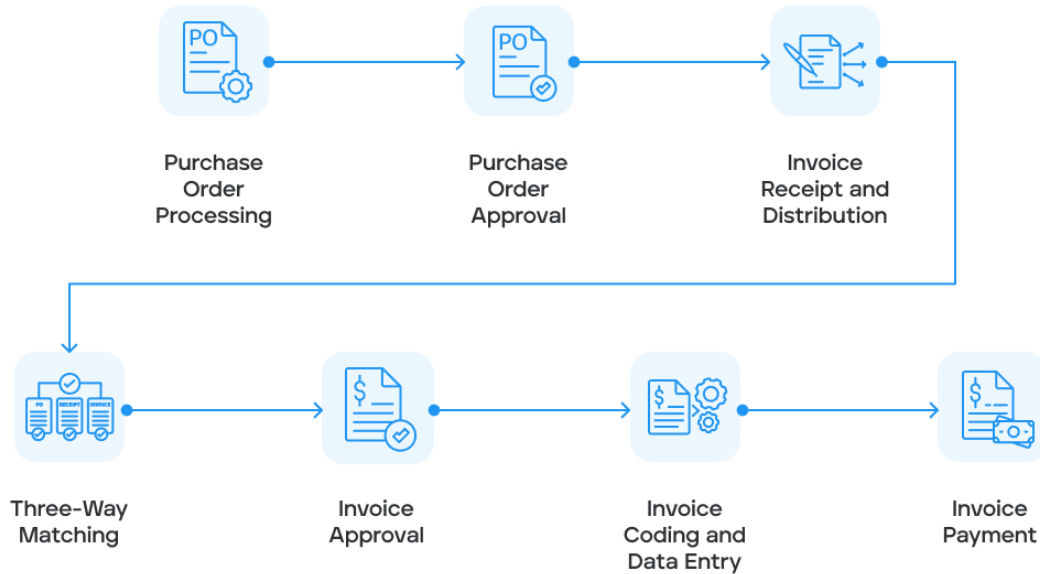
AP automation also flags potential issues such as duplicate invoices or payments so that they can be reviewed and addressed promptly.

How Does Automated Accounts Payable Work?

Automated accounts payable is just like it sounds, with the application automating the tedious, time-consuming parts of AP. The typical AP process includes the following tasks:

1. Purchase Order Processing
2. Purchase Order Approval
3. Invoice Receipt and Distribution
4. Three-Way Matching (Invoice, Purchase Order, and Delivery Receipt)
5. Invoice Approval (if No Purchase Order)
6. Invoice Coding and Data Entry
7. Invoice Payment

■ The Typical AP Process



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There are variations in this process. For instance, if your company does not utilize a purchase order system, you'll only match the invoice with the delivery receipt.

Without a purchase order system in place, you'll also need to send invoices for approval prior to entering them into your accounting software application.

However, when you add AP automation and AI to your accounts payable department, many of these manual processes are automated.

This process starts with invoice automation, digitizing invoices, and using optical character recognition or OCR technology to extract the information found on the invoice.

By also incorporating the use machine learning, which helps to recognize patterns in invoices, making the OCR invoice data extracted is more accurate.

You can also assign a GL posting code to the invoice line items which will later be recognized when a similar invoice is received.

For example, if you receive an invoice for wood 2×4 panels, you can assign a GL code and the next time you receive a similar invoice from that vendor, the item on

the invoice will automatically be posted to the same GL code.

There is also an opportunity to adjust any information that may be read inaccurately.

Because you've been able to capture invoice data automatically, you're eliminating manual data entry and the human errors that go along with it. Errors in financial reporting can prove extremely costly.

But along with data entry, AP automation can also easily handle another time-consuming AP process; invoice matching. For auditing purposes, all incoming invoices should be matched with a corresponding purchase order and shipping receipt.

Depending on the number of invoices your business processes, invoice matching can take a significant amount of time, particularly when a variance is found.

AP automation will automatically match incoming invoices to all supporting documents, flagging those that need to be investigated for potential issues such as duplicate payments.

But perhaps the best part of AP automation is the electronic invoice approval process that will direct invoices to the correct approver or approvers, eliminating lost and misplaced invoices and approval delays.

What Is Robotic Process Automation?

Robotic Process Automation (RPA) sometimes referred to as software robotics, uses software automation to mimic tasks traditionally completed by office staff such as data extraction and form completion.

Focusing on task automation, RPA is the workhorse in automation, performing the tasks, rather than determining what tasks need to be completed.

What Is the Difference Between AI and RPA?

Robotic process automation is often mistaken for artificial intelligence, but the

two are very different.

AI is the thinker of the two, using automation, machine learning, reasoning, and analysis to recognize patterns in unstructured data while learning and remembering those patterns over time.

On the other hand, RPA requires human intervention to automate repetitive processes that have been defined by an end user. That said, AI and RPA work well together, with their respective strengths complementing each other.

How Can RPA and AI Be Used for Accounts Payable Automation?

Most companies introduce automation into their business by using RPA, which automates repetitive tasks that use a rules-based scenario.

For example, if the invoices you receive from your vendors always contain the exact same fields, RPA would be sufficient to automate invoice processing.

However, it's likely that your business receives invoices in a variety of formats, which RPA alone will struggle to process.

That's where AI comes in handy since AI is able to train OCR to scan and RPA robots to process invoices in a variety of formats.

What Are the Benefits of AI in Accounts Payable?

Implementing AI provides immediate benefits to your accounts payable department, starting with the following:

1. A More Streamlined AP Process

From extracting data from invoices to automatically routing invoices to the appropriate approvers, the entire AP process will be much smoother and your invoice cycle time much faster.

2. **The Ability To Take Advantage of Discounts**

Tired of wasting the early payment discounts that your suppliers offer you? Using AI, you'll be able to process invoices much faster, which will enable you to finally take advantage of those discounts.

3. **Better Supplier Relationships**

Everyone wants to be paid on time and your suppliers are no exception. Delays in invoice processing and payment can put a strain on your vendor relationships.

Slow approvals, lost or misplaced invoices, and duplicate invoices or payments made in error become a thing of the past, which can strengthen your business relationships.

4. **Eliminate Manual Data Entry**

The use of OCR and machine learning means that you can say goodbye to entering invoice data manually and the errors that go with it.

5. **Cost Savings**

Your initial investment for AI-powered automation will more than pay for itself, with significant savings on invoice processing costs, error corrections, and even labor.

6. **Audit Compliance**

Having a recognizable audit trail is a must for any accounts payable department. Using AI, you'll have access to a complete paper trail for all of your invoices, significantly reducing the possibility of accounts payable fraud.

7. **Eliminating Paper**

Using an automated AP system also means doing away with the piles of


paper found in any AP department.

Instead of spending hours looking for missing documents, they can be easily retrieved from an electronic filing system at any time.

8. More Accurate Reporting

With the use of real-time reporting, you'll never have to worry about whether report totals are accurate or if they include the most recent transactions.

Benefits of AI in Accounts Payable

-  1. More Streamlined AP Process
-  2. Ability to Take Advantage of Discounts
-  3. Better Supplier Relationships
-  4. Eliminate Manual Data Entry
-  5. Cost Savings
-  6. Audit Compliance
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Easy Ways To Introduce Artificial Intelligence Into Accounts Payable

Making the switch to an accounts payable automation software application, like PLANERGY, can be daunting if you're accustomed to manual processes.

But introducing even a small level of AI technology can give you the confidence to introduce more automated technology into your business.

There are a number of ways that AI and RPA can be introduced into accounts payable. For those desiring a more gradual introduction to AI, here are some best

practices when implementing AI in accounts payable:

• **Get A Better Understanding of AI**

Take some time to learn what AI can do for your business. But even more important, learn what it can't do. AI is powerful, but there is a difference between hype and the reality.

Once you understand its capabilities, you'll be better able to determine exactly where to begin.

• **Review Your Team's Technical Abilities**

Evaluate the technical capabilities of your current AP staff. If they're comfortable with new technology, you can forge ahead.

But if they're not, you may want to consider bringing someone on board who is comfortable implementing AI and can help manage the change.

• **Define Your Goals**

Before using AI technology, it's important to set goals. What do you want AI to accomplish?

Do you want to automate the bank reconciliation process? Do your invoices get lost or misplaced when sent to approvers?

Write them down, get an understanding of your current performance and then later check to see if AI has helped you meet those goals. The end goal should be improving your accounts payable key performance indicators (KPIs).

Benchmarking your current accounts payable performance will allow you to compare your future performance and see how things have improved.

• **Start Small if You Are Not Comfortable**

Consider starting with accounting software that offers some AI capability

to dip your toe into the use of AI in accounting.

Even entry-level software contains some level of AI capability. Your existing software might already use AI and you are just not aware of it.

• **Find The Right Software Solution**

When you are ready, look at an application like PLANERGY to streamline the entire procure-to-pay process, offering purchase request management, approval workflows, purchase order management, and complete accounts payable processing automation.

A company with years of experiencing implementing AI in procurement and accounts payable can help guide you and will follow best practices for digital transformation change management.

• **Review The Implementation Process and Improve**

Once you implement some form of AI, review the results internally. Was it easier or more difficult than you anticipated?

If adopting AI has been a relatively smooth process, you may want to look at adding further automation to your business. But if the process has been filled with problems, some further refinement of the system may be in order.

• **Track Improvements Against KPIs**

As mentioned earlier, once AI has been added to your business processes, it's important to look at your initial goals and whether AI has helped you reach them.

For example, if you began using AI for accounts payable to improve processing times, have you seen an improvement in invoice processing times?

Looking at your initial goals and assessing whether those goals are being

met can help you determine whether adding additional AI tools should be considered.

Best Practices When Implementing AI In Accounts Payable



Get A Better Understanding of AI



Review Your Team's Technical Abilities



Define Your Goals



Start Small if You Are Not Comfortable



Find The Right Software Solution



Review The Implementation Process and Improve



Track Improvements Against KPIs

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Artificial Intelligence Can Save Both Time and Money

With increased accuracy, streamlined invoice processing, and more accurate accounts payable reporting, AI can transform your business a lot faster and easier than you may think.

There is no downside to implementing artificial intelligence in your business. Even if you start small, you'll quickly see the benefits of an automation solution, including reduced invoice processing times and savings on invoice processing costs.

Artificial intelligence is here to stay. Why not take advantage of this cutting-edge technology in your business?

What's your goal today?

1. Use PLANERGY to manage purchasing and accounts payable

We've helped save billions of dollars for our clients through better spend management, process automation in purchasing and finance, and reducing financial risks. To discover how we can help grow your business:

- Read our case studies, client success stories, and testimonials.
- Visit our Accounts Payable Automation Software page to see how PLANERGY can automate your AP process reducing you the hours of manual processing, stopping erroneous payments, and driving value across your organization.
- Learn about us, and our long history of helping companies just like yours.

[Book a Live Demo](#)

2. Download our guide "Preparing Your AP Department For The Future"

Download a free copy of our guide to future proofing your accounts payable department. You'll also be subscribed to our email newsletter and notified about new articles or if have something interesting to share.

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